



Publication 502

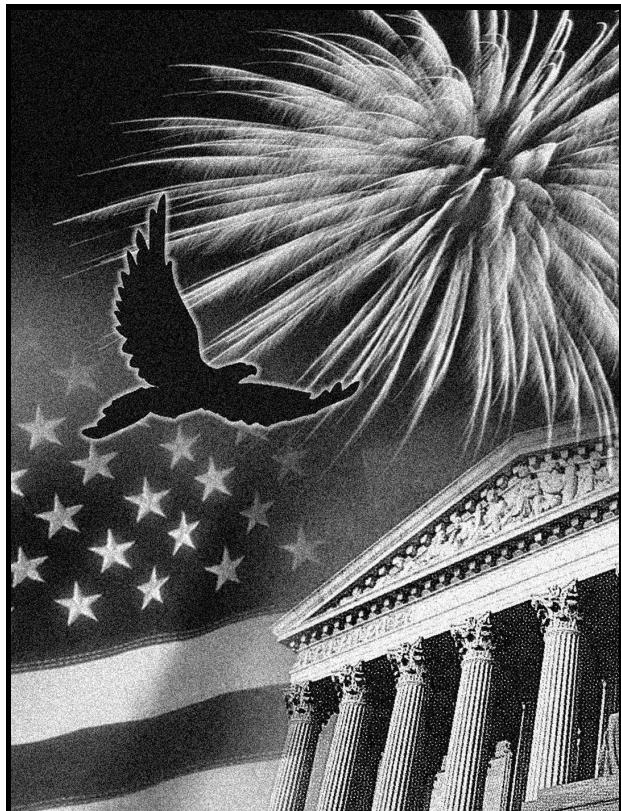
Cat. No. 15002Q

Medical and Dental Expenses

(Including the Health Coverage Tax Credit)

For use in preparing

2011 Returns



Get forms and other information faster and easier by:

Internet IRS.gov

Contents

<u>What's New</u>	1
<u>Reminder</u>	2
<u>Introduction</u>	2
<u>What Are Medical Expenses?</u>	2
<u>What Expenses Can You Include This Year?</u>	2
<u>How Much of the Expenses Can You Deduct?</u>	3
<u>Whose Medical Expenses Can You Include?</u>	3
<u>What Medical Expenses Are Includible?</u>	5
<u>What Expenses Are Not Includible?</u>	15
<u>How Do You Treat Reimbursements?</u>	17
<u>How Do You Figure and Report the Deduction on Your Tax Return?</u>	20
<u>Sale of Medical Equipment or Property</u>	21
<u>Damages for Personal Injuries</u>	23
<u>Impairment-Related Work Expenses</u>	23
<u>Health Insurance Costs for Self-Employed Persons</u>	24
<u>COBRA Premium Assistance</u>	24
<u>Health Coverage Tax Credit</u>	26
<u>How To Get Tax Help</u>	29
<u>Index</u>	32

What's New

Standard mileage rate. The standard mileage rate allowed for operating expenses for a car when you use it for medical reasons is:

- 19 cents per mile from January 1–June 30, and
- 23.5 cents per mile from July 1–December 31, 2011.

See [Transportation](#) under [What Medical Expenses Are Includible](#).

Future developments. The IRS has created a page on IRS.gov for information about Publication 502, at www.irs.gov/pub502. Information about any future developments affecting Publication 502 (such as legislation enacted after we release it) will be posted on that page.

Health coverage tax credit. The credit decreases to 72.5% (.725) for amounts paid for qualified health insurance coverage after February 2011. For more information, see [Health Coverage Tax Credit](#), later.

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication explains the itemized deduction for medical and dental expenses that you claim on Schedule A (Form 1040). It discusses what expenses, and whose expenses, you can and cannot include in figuring the deduction. It explains how to treat reimbursements and how to figure the deduction. It also tells you how to report the deduction on your tax return and what to do if you sell medical property or receive damages for a personal injury.

Medical expenses include dental expenses, and in this publication the term "medical expenses" is often used to refer to medical and dental expenses.

You can deduct on Schedule A (Form 1040) only the part of your medical and dental expenses that is more than 7.5% of your adjusted gross income (AGI). If your medical and dental expenses are not more than 7.5% of your AGI, you cannot claim a deduction.

This publication also explains how to treat impairment-related work expenses, health insurance premiums if you are self-employed, and the health coverage tax credit that is available to certain individuals.

Pub. 502 covers many common medical expenses but not every possible medical expense. If you cannot find the expense you are looking for, refer to the definition of medical expenses under [What Are Medical Expenses](#).

See [How To Get Tax Help](#) near the end of this publication for information about getting publications and forms.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual and Specialty Forms and Publications
Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at taxforms@irs.gov. Please put "Publications Comment" on the subject line. You can also send us comments from www.irs.gov/formspubs. Select "Comment on Tax Forms and Publications" under "Information about."

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to the address below and receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Tax questions. If you have a tax question, check the information available on IRS.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

- 969** Health Savings Accounts and Other Tax-Favored Health Plans

Forms (and Instructions)

- 1040** U.S. Individual Income Tax Return
- Schedule A (Form 1040)** Itemized Deductions
- 8885** Health Coverage Tax Credit

What Are Medical Expenses?

Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body. These expenses include payments for legal medical services rendered by physicians, surgeons, dentists, and other medical practitioners. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes.

Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation.

Medical expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term care insurance contract.

What Expenses Can You Include This Year?

You can include only the medical and dental expenses you paid this year, regardless of when the services were provided. (But see [Decedent](#) under *Whose Medical Expenses Can You Include*, for an exception.) If you pay medical

expenses by check, the day you mail or deliver the check generally is the date of payment. If you use a “pay-by-phone” or “online” account to pay your medical expenses, the date reported on the statement of the financial institution showing when payment was made is the date of payment. If you use a credit card, include medical expenses you charge to your credit card in the year the charge is made, not when you actually pay the amount charged.

If you did not claim a medical or dental expense that would have been deductible in an earlier year, you can file Form 1040X, Amended U.S. Individual Income Tax Return, for the year in which you overlooked the expense. Do not claim the expense on this year’s return. Generally, an amended return must be filed within 3 years from the date the original return was filed or within 2 years from the time the tax was paid, whichever is later.

You cannot include medical expenses that were paid by insurance companies or other sources. This is true whether the payments were made directly to you, to the patient, or to the provider of the medical services.

Separate returns. If you and your spouse live in a non-community property state and file separate returns, each of you can include only the medical expenses each actually paid. Any medical expenses paid out of a joint checking account in which you and your spouse have the same interest are considered to have been paid equally by each of you, unless you can show otherwise.

Community property states. If you and your spouse live in a community property state and file separate returns or are registered domestic partners in Nevada, Washington, or California (or a person in California who is married to a person of the same sex), any medical expenses paid out of community funds are divided equally. Each of you should include half the expenses. If medical expenses are paid out of the separate funds of one individual, only the individual who paid the medical expenses can include them. If you live in a community property state and are not filing a joint return, see Publication 555, Community Property.

How Much of the Expenses Can You Deduct?

You can deduct on Schedule A (Form 1040) only the amount of your medical and dental expenses that is more than 7.5% of your AGI (Form 1040, line 38).

In this publication, the term “7.5% limit” is used to refer to 7.5% of your AGI. The phrase “subject to the 7.5% limit” is also used. This phrase means that you must subtract 7.5% (.075) of your AGI from your medical expenses to figure your medical expense deduction.

Example. Your AGI is \$40,000, 7.5% of which is \$3,000. You paid medical expenses of \$2,500. You cannot deduct any of your medical expenses because they are not more than 7.5% of your AGI.

Whose Medical Expenses Can You Include?

You can generally include medical expenses you pay for yourself, as well as those you pay for someone who was your spouse or your dependent either when the services were provided or when you paid for them. There are different rules for decedents and for individuals who are the subject of multiple support agreements. See [Support claimed under a multiple support agreement](#), later under Qualifying Person.

Youself

You can include medical expenses that you paid for yourself.

Spouse

You can include medical expenses you paid for your spouse. To include these expenses, you must have been married either at the time your spouse received the medical services or at the time you paid the medical expenses.

Example 1. Mary received medical treatment before she married Bill. Bill paid for the treatment after they married. Bill can include these expenses in figuring his medical expense deduction even if Bill and Mary file separate returns.

If Mary had paid the expenses, Bill could not include Mary’s expenses in his separate return. Mary would include the amounts she paid during the year in her separate return. If they filed a joint return, the medical expenses both paid during the year would be used to figure their medical expense deduction.

Example 2. This year, John paid medical expenses for his wife Louise, who died last year. John married Belle this year and they file a joint return. Because John was married to Louise when she received the medical services, he can include those expenses in figuring his medical expense deduction for this year.

Dependent

You can include medical expenses you paid for your dependent. For you to include these expenses, the person must have been your dependent either at the time the medical services were provided or at the time you paid the expenses. A person generally qualifies as your dependent for purposes of the medical expense deduction if both of the following requirements are met.

1. The person was a qualifying child (defined later) or a qualifying relative (defined later), and
2. The person was a U.S. citizen or national or a resident of the United States, Canada, or Mexico. If your qualifying child was adopted, see *Exception for adopted child*, below.

You can include medical expenses you paid for an individual that would have been your dependent except that:

1. He or she received gross income of \$3,700 or more in 2011,
2. He or she filed a joint return for 2011, or
3. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2011 return.

Exception for adopted child. If you are a U.S. citizen or national and your adopted child lived with you as a member of your household for 2011, that child does not have to be a U.S. citizen or national, or a resident of the United States, Canada, or Mexico.

Qualifying Child

A qualifying child is a child who:

1. Is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister, or a descendant of any of them (for example, your grandchild, niece, or nephew),
2. Was:
 - a. Under age 19 at the end of 2011 and younger than you (or your spouse, if filing jointly),
 - b. Under age 24 at the end of 2011, a full-time student, and younger than you (or your spouse, if filing jointly), or
 - c. Any age and permanently and totally disabled,
3. Lived with you for more than half of 2011,
4. Did not provide over half of his or her own support for 2011, and
5. Did not file a joint return, other than to claim a refund.

Adopted child. A legally adopted child is treated as your own child. This child includes a child lawfully placed with you for legal adoption.

You can include medical expenses that you paid for a child before adoption if the child qualified as your dependent when the medical services were provided or when the expenses were paid.

If you pay back an adoption agency or other persons for medical expenses they paid under an agreement with you, you are treated as having paid those expenses provided you clearly substantiate that the payment is directly attributable to the medical care of the child.

But if you pay the agency or other person for medical care that was provided and paid for before adoption negotiations began, you cannot include them as medical expenses.



You may be able to take a credit for other expenses related to an adoption. See the Instructions for Form 8839, Qualified Adoption Expenses, for more information.

Child of divorced or separated parents. For purposes of the medical and dental expenses deduction, a child of divorced or separated parents can be treated as a dependent of both parents. Each parent can include the medical expenses he or she pays for the child, even if the other parent claims the child's dependency exemption, if:

1. The child is in the custody of one or both parents for more than half the year,
2. The child receives over half of his or her support during the year from his or her parents, and
3. The child's parents:
 - a. Are divorced or legally separated under a decree of divorce or separate maintenance,
 - b. Are separated under a written separation agreement, or
 - c. Live apart at all times during the last 6 months of the year.

This does not apply if the child's exemption is being claimed under a multiple support agreement (discussed later).

Qualifying Relative

A qualifying relative is a person:

1. Who is your:
 - a. Son, daughter, stepchild, or foster child, or a descendant of any of them (for example, your grandchild),
 - b. Brother, sister, half brother, half sister, or a son or daughter of any of them,
 - c. Father, mother, or an ancestor or sibling of either of them (for example, your grandmother, grandfather, aunt, or uncle),
 - d. Stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, or
 - e. Any other person (other than your spouse) who lived with you all year as a member of your household if your relationship did not violate local law,
2. Who was not a qualifying child (see *Qualifying Child*, earlier) of any taxpayer for 2011, and
3. For whom you provided over half of the support in 2011. But see *Child of divorced or separated parents*, earlier, *Support claimed under a multiple support agreement*, next, and *Kidnapped child* under *Qualifying Relative* in Publication 501, Exemptions, Standard Deduction, and Filing Information.

Support claimed under a multiple support agreement. If you are considered to have provided more than half of a qualifying relative's support under a multiple support agreement, you can include medical expenses you pay for

that person. A multiple support agreement is used when two or more people provide more than half of a person's support, but no one alone provides more than half.

Any medical expenses paid by others who joined you in the agreement cannot be included as medical expenses by anyone. However, you can include the entire unreimbursed amount you paid for medical expenses.

Example. You and your three brothers each provide one-fourth of your mother's total support. Under a multiple support agreement, you treat your mother as your dependent. You paid all of her medical expenses. Your brothers repaid you for three-fourths of these expenses. In figuring your medical expense deduction, you can include only one-fourth of your mother's medical expenses. Your brothers cannot include any part of the expenses. However, if you and your brothers share the nonmedical support items and you separately pay all of your mother's medical expenses, you can include the unreimbursed amount you paid for her medical expenses in your medical expenses.

Decedent

Medical expenses paid before death by the decedent are included in figuring any deduction for medical and dental expenses on the decedent's final income tax return. This includes expenses for the decedent's spouse and dependents as well as for the decedent.

The survivor or personal representative of a decedent can choose to treat certain expenses paid by the decedent's estate for the decedent's medical care as paid by the decedent at the time the medical services were provided. The expenses must be paid within the 1-year period beginning with the day after the date of death. If you are the survivor or personal representative making this choice, you must attach a statement to the decedent's Form 1040 (or the decedent's amended return, Form 1040X) saying that the expenses have not been and will not be claimed on the estate tax return.



Qualified medical expenses paid before death by the decedent are not deductible if paid with a tax-free distribution from any Archer MSA, Medicare Advantage MSA, or health savings account.

What if the decedent's return had been filed and the medical expenses were not included? Form 1040X can be filed for the year or years the expenses are treated as paid, unless the period for filing an amended return for that year has passed. Generally, an amended return must be filed within 3 years of the date the original return was filed, or within 2 years from the time the tax was paid, whichever date is later.

Example. John properly filed his 2010 income tax return. He died in 2011 with unpaid medical expenses of \$1,500 from 2010 and \$1,800 in 2011. If the expenses are paid within the 1-year period, his survivor or personal representative can file an amended return for 2010 claiming a deduction based on the \$1,500 medical expenses. The \$1,800 of medical expenses from 2011 can be included on the decedent's final return for 2011.

What if you pay medical expenses of a deceased spouse or dependent? If you paid medical expenses for your deceased spouse or dependent, include them as medical expenses on your Form 1040 in the year paid, whether they are paid before or after the decedent's death. The expenses can be included if the person was your spouse or dependent either at the time the medical services were provided or at the time you paid the expenses.

What Medical Expenses Are Includible?

Following is a list of items that you can include in figuring your medical expense deduction. The items are listed in alphabetical order.

This list does not include all possible medical expenses. To determine if an expense not listed can be included in figuring your medical expense deduction, see [What Are Medical Expenses](#), earlier.

Abortion

You can include in medical expenses the amount you pay for a legal abortion.

Acupuncture

You can include in medical expenses the amount you pay for acupuncture.

Alcoholism

You can include in medical expenses amounts you pay for an inpatient's treatment at a therapeutic center for alcohol addiction. This includes meals and lodging provided by the center during treatment.

You can also include in medical expenses amounts you pay for transportation to and from Alcoholics Anonymous meetings in your community if the attendance is pursuant to medical advice that membership in Alcoholics Anonymous is necessary for the treatment of a disease involving the excessive use of alcoholic liquors.

Ambulance

You can include in medical expenses amounts you pay for ambulance service.

Annual Physical Examination

See [Physical Examination](#), later.

Artificial Limb

You can include in medical expenses the amount you pay for an artificial limb.

Artificial Teeth

You can include in medical expenses the amount you pay for artificial teeth.

Autoette

See [Wheelchair](#), later.

Bandages

You can include in medical expenses the cost of medical supplies such as bandages.

Birth Control Pills

You can include in medical expenses the amount you pay for birth control pills prescribed by a doctor.

Body Scan

You can include in medical expenses the cost of an electronic body scan.

Braille Books and Magazines

You can include in medical expenses the part of the cost of Braille books and magazines for use by a visually impaired person that is more than the cost of regular printed editions.

Breast Pumps and Supplies

You can include in medical expenses the cost of breast pumps and supplies that assist lactation.

Breast Reconstruction Surgery

You can include in medical expenses the amounts you pay for breast reconstruction surgery, as well as breast prosthesis, following a mastectomy for cancer. See [Cosmetic Surgery](#), later.

Capital Expenses

You can include in medical expenses amounts you pay for special equipment installed in a home, or for improvements, if their main purpose is medical care for you, your spouse, or your dependent. The cost of permanent improvements that increase the value of your property may be partly included as a medical expense. The cost of the improvement is reduced by the increase in the value of your property. The difference is a medical expense. If the value of your property is not increased by the improvement, the entire cost is included as a medical expense.

Certain improvements made to accommodate a home to your disabled condition, or that of your spouse or your dependents who live with you, do not usually increase the value of the home and the cost can be included in full as medical expenses. These improvements include, but are not limited to, the following items.

- Constructing entrance or exit ramps for your home.
- Widening doorways at entrances or exits to your home.
- Widening or otherwise modifying hallways and interior doorways.
- Installing railings, support bars, or other modifications to bathrooms.
- Lowering or modifying kitchen cabinets and equipment.
- Moving or modifying electrical outlets and fixtures.
- Installing porch lifts and other forms of lifts (but elevators generally add value to the house).
- Modifying fire alarms, smoke detectors, and other warning systems.
- Modifying stairways.
- Adding handrails or grab bars anywhere (whether or not in bathrooms).
- Modifying hardware on doors.
- Modifying areas in front of entrance and exit doorways.
- Grading the ground to provide access to the residence.

Only reasonable costs to accommodate a home to a disabled condition are considered medical care. Additional costs for personal motives, such as for architectural or aesthetic reasons, are not medical expenses.

Capital expense worksheet. Use Worksheet A to figure the amount of your capital expense to include in your medical expenses.

Worksheet A. Capital Expense Worksheet

Keep for Your Records



Instructions: Use this worksheet to figure the amount, if any, of your medical expenses due to a home improvement.

1. Enter the amount you paid for the home improvement 1. _____
2. Enter the value of your home immediately after the improvement 2. _____
3. Enter the value of your home immediately before the improvement 3. _____
4. Subtract line 3 from line 2. This is the increase in the value of your home due to the improvement. 4. _____
 - If line 4 is more than or equal to line 1, you have no medical expenses due to the home improvement; stop here.
 - If line 4 is less than line 1, go to line 5.
5. Subtract line 4 from line 1. These are your medical expenses due to the home improvement 5. _____

Example. You have a heart ailment. On your doctor's advice, you install an elevator in your home so that you will not have to climb stairs. The elevator costs \$8,000. An appraisal shows that the elevator increases the value of your home by \$4,400. You figure your medical expense as shown in the filled-in example of Worksheet A.

Worksheet A. Capital Expense Worksheet—Illustrated Keep for Your Records



Instructions: Use this worksheet to figure the amount, if any, of your medical expenses due to a home improvement.

1. Enter the amount you paid for the home improvement 1. 8,000
2. Enter the value of your home immediately after the improvement 2. 124,400
3. Enter the value of your home immediately before the improvement 3. 120,000
4. Subtract line 3 from line 2. This is the increase in the value of your home due to the improvement. 4. 4,400
 - If line 4 is more than or equal to line 1, you have no medical expenses due to the home improvement; stop here.
 - If line 4 is less than line 1, go to line 5.
5. Subtract line 4 from line 1. These are your medical expenses due to the home improvement 5. 3,600

Operation and upkeep. Amounts you pay for operation and upkeep of a capital asset qualify as medical expenses, as long as the main reason for them is medical care. This rule applies even if none or only part of the original cost of the capital asset qualified as a medical care expense.

Example. If, in the previous example, the elevator increased the value of your home by \$8,000, you would have no medical expense for the cost of the elevator. However, the cost of electricity to operate the elevator and any costs to maintain it are medical expenses as long as the medical reason for the elevator exists.

Improvements to property rented by a person with a disability. Amounts paid to buy and install special plumbing fixtures for a person with a disability, mainly for medical reasons, in a rented house are medical expenses.

Example. John has arthritis and a heart condition. He cannot climb stairs or get into a bathtub. On his doctor's advice, he installs a bathroom with a shower stall on the first floor of his two-story rented house. The landlord did not pay any of the cost of buying and installing the special plumbing and did not lower the rent. John can include in medical expenses the entire amount he paid.

Car

You can include in medical expenses the cost of special hand controls and other special equipment installed in a car for the use of a person with a disability.

Special design. You can include in medical expenses the difference between the cost of a regular car and a car specially designed to hold a wheelchair.

Cost of operation. The includable costs of using a car for medical reasons are explained under [Transportation](#), later.

Chiropractor

You can include in medical expenses fees you pay to a chiropractor for medical care.

Christian Science Practitioner

You can include in medical expenses fees you pay to Christian Science practitioners for medical care.

Contact Lenses

You can include in medical expenses amounts you pay for contact lenses needed for medical reasons. You can also include the cost of equipment and materials required for using contact lenses, such as saline solution and enzyme cleaner. See [Eyeglasses](#) and [Eye Surgery](#), later.

Crutches

You can include in medical expenses the amount you pay to buy or rent crutches.

Dental Treatment

You can include in medical expenses the amounts you pay for the prevention and alleviation of dental disease. Preventive treatment includes the services of a dental hygienist or dentist for such procedures as teeth cleaning, the application of sealants, and fluoride treatments to prevent tooth decay. Treatment to alleviate dental disease include services of a dentist for procedures such as X-rays, fillings, braces, extractions, dentures, and other dental ailments. But see [Teeth Whitening](#) under [What Expenses Are Not Includible](#), later.

Diagnostic Devices

You can include in medical expenses the cost of devices used in diagnosing and treating illness and disease.

Example. You have diabetes and use a blood sugar test kit to monitor your blood sugar level. You can include the cost of the blood sugar test kit in your medical expenses.

Disabled Dependent Care Expenses

Some disabled dependent care expenses may qualify as either:

- Medical expenses, or
- Work-related expenses for purposes of taking a credit for dependent care. (See Publication 503, Child and Dependent Care Expenses.)

You can choose to apply them either way as long as you do not use the same expenses to claim both a credit and a medical expense deduction.

Drug Addiction

You can include in medical expenses amounts you pay for an inpatient's treatment at a therapeutic center for drug addiction. This includes meals and lodging at the center during treatment.

Drugs

See [Medicines](#), later.

Eye Exam

You can include in medical expenses the amount you pay for eye examinations.

Eyeglasses

You can include in medical expenses amounts you pay for eyeglasses and contact lenses needed for medical reasons. See [Contact Lenses](#), earlier, for more information.

Eye Surgery

You can include in medical expenses the amount you pay for eye surgery to treat defective vision, such as laser eye surgery or radial keratotomy.

Fertility Enhancement

You can include in medical expenses the cost of the following procedures to overcome an inability to have children.

- Procedures such as *in vitro* fertilization (including temporary storage of eggs or sperm).
- Surgery, including an operation to reverse prior surgery that prevented the person operated on from having children.

Founder's Fee

See [Lifetime Care—Advance Payments](#), later.

Guide Dog or Other Service Animal

You can include in medical expenses the costs of buying, training, and maintaining a guide dog or other service animal to assist a visually impaired or hearing-impaired person, or a person with other physical disabilities. In general, this includes any costs, such as food, grooming,

and veterinary care, incurred in maintaining the health and vitality of the service animal so that it may perform its duties.

Health Institute

You can include in medical expenses fees you pay for treatment at a health institute only if the treatment is prescribed by a physician and the physician issues a statement that the treatment is necessary to alleviate a physical or mental defect or illness of the individual receiving the treatment.

Health Maintenance Organization (HMO)

You can include in medical expenses amounts you pay to entitle you, your spouse, or a dependent to receive medical care from an HMO. These amounts are treated as medical insurance premiums. See [Insurance Premiums](#), later.

Hearing Aids

You can include in medical expenses the cost of a hearing aid and batteries, repairs, and maintenance needed to operate it.

Home Care

See [Nursing Services](#), later.

Home Improvements

See [Capital Expenses](#), earlier.

Hospital Services

You can include in medical expenses amounts you pay for the cost of inpatient care at a hospital or similar institution if a principal reason for being there is to receive medical care. This includes amounts paid for meals and lodging. Also see [Lodging](#), later.

Insurance Premiums

You can include in medical expenses insurance premiums you pay for policies that cover medical care. Medical care policies can provide payment for treatment that includes:

- Hospitalization, surgical services, X-rays,
- Prescription drugs and insulin,
- Dental care,
- Replacement of lost or damaged contact lenses, and
- Long-term care (subject to additional limitations).
See [Qualified Long-Term Care Insurance Contracts](#) under [Long-Term Care](#), later.

If you have a policy that provides payments for other than medical care, you can include the premiums for the medical care part of the policy if the charge for the medical

part is reasonable. The cost of the medical part must be separately stated in the insurance contract or given to you in a separate statement.

Health coverage tax credit. If, during 2011, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, reemployment TAA (RTAA) recipient, or Pension Benefit Guaranty Corporation (PBGC) pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include:

- Any amounts you included on Form 8885, line 4,
- Any qualified health insurance premiums you paid to "U.S. Treasury–HCTC", or
- Any health coverage tax credit advance payments shown in box 1 and any additional credit reported in the box to the left of box 8 of Form 1099-H.

Employer-Sponsored Health Insurance Plan

Do not include in your medical and dental expenses any insurance premiums paid by an employer-sponsored health insurance plan unless the premiums are included in box 1 of your Form W-2, Wage and Tax Statement. Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your Form W-2.

Example. You are a federal employee participating in the premium conversion plan of the Federal Employee Health Benefits (FEHB) program. Your share of the FEHB premium is paid by making a pre-tax reduction in your salary. Because you are an employee whose insurance premiums are paid with money that is never included in your gross income, you cannot deduct the premiums paid with that money.

Long-term care services. Contributions made by your employer to provide coverage for qualified long-term care services under a flexible spending or similar arrangement must be included in your income. This amount will be reported as wages in box 1 of your Form W-2.

Retired public safety officers. If you are a retired public safety officer, do not include as medical expenses any health or long-term care insurance premiums that you elected to have paid with tax-free distributions from a retirement plan. This applies only to distributions that would otherwise be included in income.

Health reimbursement arrangement (HRA). If you have medical expenses that are reimbursed by a health reimbursement arrangement, you cannot include those expenses in your medical expenses. This is because an HRA is funded solely by the employer.

Medicare A

If you are covered under social security (or if you are a government employee who paid Medicare tax), you are

enrolled in Medicare A. The payroll tax paid for Medicare A is not a medical expense.

If you are not covered under social security (or were not a government employee who paid Medicare tax), you can voluntarily enroll in Medicare A. In this situation you can include the premiums you paid for Medicare A as a medical expense.

Medicare B

Medicare B is a supplemental medical insurance. Premiums you pay for Medicare B are a medical expense. Check the information you received from the Social Security Administration to find out your premium.

Medicare D

Medicare D is a voluntary prescription drug insurance program for persons with Medicare A or B. You can include as a medical expense premiums you pay for Medicare D.

Prepaid Insurance Premiums

Premiums you pay before you are age 65 for insurance for medical care for yourself, your spouse, or your dependents after you reach age 65 are medical care expenses in the year paid if they are:

1. Payable in equal yearly installments or more often, and
2. Payable for at least 10 years, or until you reach age 65 (but not for less than 5 years).

Unused Sick Leave Used To Pay Premiums

You must include in gross income cash payments you receive at the time of retirement for unused sick leave. You also must include in gross income the value of unused sick leave that, at your option, your employer applies to the cost of your continuing participation in your employer's health plan after you retire. You can include this cost of continuing participation in the health plan as a medical expense.

If you participate in a health plan where your employer automatically applies the value of unused sick leave to the cost of your continuing participation in the health plan (and you do not have the option to receive cash), do not include the value of the unused sick leave in gross income. You cannot include this cost of continuing participation in that health plan as a medical expense.

Insurance Premiums You Cannot Include

You cannot include premiums you pay for:

- Life insurance policies,
- Policies providing payment for loss of earnings,
- Policies for loss of life, limb, sight, etc.,

- Policies that pay you a guaranteed amount each week for a stated number of weeks if you are hospitalized for sickness or injury,
- The part of your car insurance that provides medical insurance coverage for all persons injured in or by your car because the part of the premium providing insurance for you, your spouse, and your dependents is not stated separately from the part of the premium providing insurance for medical care for others, or
- Health or long-term care insurance if you elected to pay these premiums with tax-free distributions from a retirement plan made directly to the insurance provider and these distributions would otherwise have been included in income.

Taxes imposed by any governmental unit, such as Medicare taxes, are not insurance premiums.

Coverage for nondependents. Generally, you cannot deduct any additional premium you pay as the result of including on your policy someone who is not your spouse or dependent, even if that person is your child under age 27. However, you can deduct the additional premium if that person is:

- Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents,
- Any person you could have claimed as a dependent on your return except that person received \$3,700 or more of gross income or filed a joint return, or
- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2011 return.

Also, if you had family coverage when you added this individual to your policy and your premiums did not increase, you can enter on line 1 the full amount of your medical and dental insurance premiums.

Intellectually and Developmentally Disabled, Special Home for

You can include in medical expenses the cost of keeping a person who is intellectually and developmentally disabled in a special home, not the home of a relative, on the recommendation of a psychiatrist to help the person adjust from life in a mental hospital to community living.

Laboratory Fees

You can include in medical expenses the amounts you pay for laboratory fees that are part of medical care.

Lactation Expenses

See *Breast Pumps and Supplies*, earlier.

Lead-Based Paint Removal

You can include in medical expenses the cost of removing lead-based paints from surfaces in your home to prevent a child who has or had lead poisoning from eating the paint. These surfaces must be in poor repair (peeling or cracking) or within the child's reach. The cost of repainting the scraped area is not a medical expense.

If, instead of removing the paint, you cover the area with wallboard or paneling, treat these items as capital expenses. See *Capital Expenses*, earlier. Do not include the cost of painting the wallboard as a medical expense.

Learning Disability

See *Special Education*, later.

Legal Fees

You can include in medical expenses legal fees you paid that are necessary to authorize treatment for mental illness. However, you cannot include in medical expenses fees for the management of a guardianship estate, fees for conducting the affairs of the person being treated, or other fees that are not necessary for medical care.

Lifetime Care—Advance Payments

You can include in medical expenses a part of a life-care fee or "founder's fee" you pay either monthly or as a lump sum under an agreement with a retirement home. The part of the payment you include is the amount properly allocable to medical care. The agreement must require that you pay a specific fee as a condition for the home's promise to provide lifetime care that includes medical care. You can use a statement from the retirement home to prove the amount properly allocable to medical care. The statement must be based either on the home's prior experience or on information from a comparable home.

Dependents with disabilities. You can include in medical expenses advance payments to a private institution for lifetime care, treatment, and training of your physically or mentally impaired child upon your death or when you become unable to provide care. The payments must be a condition for the institution's future acceptance of your child and must not be refundable.

Payments for future medical care. Generally, you cannot include in medical expenses current payments for medical care (including medical insurance) to be provided substantially beyond the end of the year. This rule does not apply in situations where the future care is purchased in connection with obtaining lifetime care of the type described earlier.

Lodging

You can include in medical expenses the cost of meals and lodging at a hospital or similar institution if a principal reason for being there is to receive medical care. See *Nursing Home*, later.

You may be able to include in medical expenses the cost of lodging not provided in a hospital or similar institution. You can include the cost of such lodging while away from home if all of the following requirements are met.

1. The lodging is primarily for and essential to medical care.
2. The medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital.
3. The lodging is not lavish or extravagant under the circumstances.
4. There is no significant element of personal pleasure, recreation, or vacation in the travel away from home.

The amount you include in medical expenses for lodging cannot be more than \$50 for each night for each person. You can include lodging for a person traveling with the person receiving the medical care. For example, if a parent is traveling with a sick child, up to \$100 per night can be included as a medical expense for lodging. Meals are not included.

Do not include the cost of lodging while away from home for medical treatment if that treatment is not received from a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital or if that lodging is not primarily for or essential to the medical care received.

Long-Term Care

You can include in medical expenses amounts paid for qualified long-term care services and premiums paid for qualified long-term care insurance contracts.

Qualified Long-Term Care Services

Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services (defined later) that are:

1. Required by a chronically ill individual, and
2. Provided pursuant to a plan of care prescribed by a licensed health care practitioner.

Chronically ill individual. An individual is chronically ill if, within the previous 12 months, a licensed health care practitioner has certified that the individual meets either of the following descriptions.

1. He or she is unable to perform at least two activities of daily living without substantial assistance from another individual for at least 90 days, due to a loss of functional capacity. Activities of daily living are eating, toileting, transferring, bathing, dressing, and continence.
2. He or she requires substantial supervision to be protected from threats to health and safety due to severe cognitive impairment.

Maintenance and personal care services. Maintenance or personal care services is care which has as its primary purpose the providing of a chronically ill individual with needed assistance with his or her disabilities (including protection from threats to health and safety due to severe cognitive impairment).

Qualified Long-Term Care Insurance Contracts

A qualified long-term care insurance contract is an insurance contract that provides only coverage of qualified long-term care services. The contract must:

1. Be guaranteed renewable,
2. Not provide for a cash surrender value or other money that can be paid, assigned, pledged, or borrowed,
3. Provide that refunds, other than refunds on the death of the insured or complete surrender or cancellation of the contract, and dividends under the contract must be used only to reduce future premiums or increase future benefits, and
4. Generally not pay or reimburse expenses incurred for services or items that would be reimbursed under Medicare, except where Medicare is a secondary payer, or the contract makes *per diem* or other periodic payments without regard to expenses.

The amount of qualified long-term care premiums you can include is limited. You can include the following as medical expenses on Schedule A (Form 1040).

1. Qualified long-term care premiums up to the amounts shown below.
 - a. Age 40 or under – \$340.
 - b. Age 41 to 50 – \$640.
 - c. Age 51 to 60 – \$1,270.
 - d. Age 61 to 70 – \$3,390.
 - e. Age 71 or over – \$4,240.
2. Unreimbursed expenses for qualified long-term care services.

Note. The limit on premiums is for each person.

Also, if you are an eligible retired public safety officer, you cannot include premiums for long-term care insurance if you elected to pay these premiums with tax-free distributions from a qualified retirement plan made directly to the insurance provider and these distributions would otherwise have been included in your income.

Meals

You can include in medical expenses the cost of meals at a hospital or similar institution if a principal reason for being there is to get medical care.

You cannot include in medical expenses the cost of meals that are not part of inpatient care. Also see [Weight-Loss Program](#) and [Nutritional Supplements](#), later.

Medical Conferences

You can include in medical expenses amounts paid for admission and transportation to a medical conference if the medical conference concerns the chronic illness of yourself, your spouse, or your dependent. The costs of the medical conference must be primarily for and necessary to the medical care of you, your spouse, or your dependent. The majority of the time spent at the conference must be spent attending sessions on medical information.



The cost of meals and lodging while attending the conference is not deductible as a medical expense.

Medical Information Plan

You can include in medical expenses amounts paid to a plan that keeps medical information in a computer data bank and retrieves and furnishes the information upon request to an attending physician.

Medicines

You can include in medical expenses amounts you pay for prescribed medicines and drugs. A prescribed drug is one that requires a prescription by a doctor for its use by an individual. You can also include amounts you pay for insulin. Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed.

Imported medicines and drugs. If you imported medicines or drugs from other countries, see [Medicines and Drugs From Other Countries](#), under *What Expenses Are Not Deductible*, later.

Nursing Home

You can include in medical expenses the cost of medical care in a nursing home, home for the aged, or similar institution, for yourself, your spouse, or your dependents. This includes the cost of meals and lodging in the home if a principal reason for being there is to get medical care.

Do not include the cost of meals and lodging if the reason for being in the home is personal. You can, however, include in medical expenses the part of the cost that is for medical or nursing care.

Nursing Services

You can include in medical expenses wages and other amounts you pay for nursing services. The services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as

bathing and grooming the patient. These services can be provided in your home or another care facility.

Generally, only the amount spent for nursing services is a medical expense. If the attendant also provides personal and household services, amounts paid to the attendant must be divided between the time spent performing household and personal services and the time spent for nursing services. For example, because of your medical condition you pay a visiting nurse \$300 per week for medical and household services. She spends 10% of her time doing household services such as washing dishes and laundry. You can include only \$270 per week as medical expenses. The \$30 ($10\% \times \300) allocated to household services cannot be included. However, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. See [Maintenance and personal care services](#) under *Long-Term Care*, earlier. Additionally, certain expenses for household services or for the care of a qualifying individual incurred to allow you to work may qualify for the child and dependent care credit. See Publication 503, *Child and Dependent Care Expenses*.

You can also include in medical expenses part of the amount you pay for that attendant's meals. Divide the food expense among the household members to find the cost of the attendant's food. Then divide that cost in the same manner as in the preceding paragraph. If you had to pay additional amounts for household upkeep because of the attendant, you can include the extra amounts with your medical expenses. This includes extra rent or utilities you pay because you moved to a larger apartment to provide space for the attendant.

Employment taxes. You can include as a medical expense social security tax, FUTA, Medicare tax, and state employment taxes you pay for an attendant who provides medical care. If the attendant also provides personal and household services, you can include as a medical expense only the amount of employment taxes paid for medical services as explained earlier. For information on employment tax responsibilities of household employers, see Publication 926, *Household Employer's Tax Guide*.

Operations

You can include in medical expenses amounts you pay for legal operations that are not for unnecessary cosmetic surgery. See [Cosmetic Surgery](#) under *What Expenses Are Not Deductible*, later.

Optometrist

See [Eyeglasses](#), earlier.

Organ Donors

See [Transplants](#), later.

Osteopath

You can include in medical expenses amounts you pay to an osteopath for medical care.

Oxygen

You can include in medical expenses amounts you pay for oxygen and oxygen equipment to relieve breathing problems caused by a medical condition.

Physical Examination

You can include in medical expenses the amount you pay for an annual physical examination and diagnostic tests by a physician. You do not have to be ill at the time of the examination.

Example. Beth goes to see Dr. Hayes for her annual check-up. Dr. Hayes does a physical examination and has some lab tests done. Beth can include the cost of the exam and lab tests in her medical expenses, if her insurance does not cover the cost.

Pregnancy Test Kit

You can include in medical expenses the amount you pay to purchase a pregnancy test kit to determine if you are pregnant.

Prosthesis

See [Artificial Limb](#) and [Breast Reconstruction Surgery](#), earlier.

Psychiatric Care

You can include in medical expenses amounts you pay for psychiatric care. This includes the cost of supporting a mentally ill dependent at a specially equipped medical center where the dependent receives medical care. See [Psychoanalysis](#), next, and [Transportation](#), later.

Psychoanalysis

You can include in medical expenses payments for psychoanalysis. However, you cannot include payments for psychoanalysis that is part of required training to be a psychoanalyst.

Psychologist

You can include in medical expenses amounts you pay to a psychologist for medical care.

Special Education

You can include in medical expenses fees you pay on a doctor's recommendation for a child's tutoring by a teacher who is specially trained and qualified to work with children who have learning disabilities caused by mental or physical impairments, including nervous system disorders.

You can include in medical expenses the cost (tuition, meals, and lodging) of attending a school that furnishes special education to help a child to overcome learning disabilities. A doctor must recommend that the child attend

the school. Overcoming the learning disabilities must be a principal reason for attending the school, and any ordinary education received must be incidental to the special education provided. Special education includes:

- Teaching Braille to a visually impaired person,
- Teaching lip reading to a hearing-impaired person, or
- Giving remedial language training to correct a condition caused by a birth defect.

You cannot include in medical expenses the cost of sending a problem child to a school where the course of study and the disciplinary methods have a beneficial effect on the child's attitude if the availability of medical care in the school is not a principal reason for sending the student there.

Sterilization

You can include in medical expenses the cost of a legal sterilization (a legally performed operation to make a person unable to have children). Also see [Vasectomy](#), later.

Stop-Smoking Programs

You can include in medical expenses amounts you pay for a program to stop smoking. However, you cannot include in medical expenses amounts you pay for drugs that do not require a prescription, such as nicotine gum or patches, that are designed to help stop smoking.

Surgery

See [Operations](#), earlier.

Telephone

You can include in medical expenses the cost of special telephone equipment that lets a hearing-impaired person communicate over a regular telephone. This includes tele-typewriter (TTY) and telecommunications device for the deaf (TDD) equipment. You can also include the cost of repairing the equipment.

Television

You can include in medical expenses the cost of equipment that displays the audio part of television programs as subtitles for hearing-impaired persons. This may be the cost of an adapter that attaches to a regular set. It also may be the part of the cost of a specially equipped television that exceeds the cost of the same model regular television set.

Therapy

You can include in medical expenses amounts you pay for therapy received as medical treatment.

Transplants

You can include in medical expenses amounts paid for medical care you receive because you are a donor or a possible donor of a kidney or other organ. This includes transportation.

You can include any expenses you pay for the medical care of a donor in connection with the donating of an organ. This includes transportation.

Transportation

You can include in medical expenses amounts paid for transportation primarily for, and essential to, medical care.

You can include:

- Bus, taxi, train, or plane fares or ambulance service,
- Transportation expenses of a parent who must go with a child who needs medical care,
- Transportation expenses of a nurse or other person who can give injections, medications, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone, and
- Transportation expenses for regular visits to see a mentally ill dependent, if these visits are recommended as a part of treatment.

Car expenses. You can include out-of-pocket expenses, such as the cost of gas and oil, when you use a car for medical reasons. You cannot include depreciation, insurance, general repair, or maintenance expenses.

If you do not want to use your actual expenses for 2011 you can use the standard medical mileage rate of 19 cents a mile for miles driven from January 1 to June 30, and 23.5 cents a mile for miles driven from July 1 to December 31, 2011.

You can also include parking fees and tolls. You can add these fees and tolls to your medical expenses whether you use actual expenses or use the standard mileage rate.

Example. In 2011, Bill Jones drove 1,800 miles for medical reasons from January through June and 1,000 miles from July through December. He spent \$500 for gas, \$30 for oil, and \$100 for tolls and parking. He wants to figure the amount he can include in medical expenses both ways to see which gives him the greater deduction.

He figures the actual expenses first. He adds the \$500 for gas, the \$30 for oil, and the \$100 for tolls and parking for a total of \$630.

He then figures the standard mileage amount. He multiplies 1,800 miles by 19 cents a mile and 1,000 miles by 23.5 cents a mile for a total of \$577. He then adds the \$100 tolls and parking for a total of \$677.

Bill includes the \$677 of car expenses with his other medical expenses for the year because the \$677 is more than the \$630 he figured using actual expenses.

Transportation expenses you cannot include. You cannot include in medical expenses the cost of transportation in the following situations.

- Going to and from work, even if your condition requires an unusual means of transportation.
- Travel for purely personal reasons to another city for an operation or other medical care.
- Travel that is merely for the general improvement of one's health.
- The costs of operating a specially equipped car for other than medical reasons.

Trips

You can include in medical expenses amounts you pay for transportation to another city if the trip is primarily for, and essential to, receiving medical services. You may be able to include up to \$50 per night for lodging. See [Lodging](#), earlier.

You cannot include in medical expenses a trip or vacation taken merely for a change in environment, improvement of morale, or general improvement of health, even if the trip is made on the advice of a doctor. However, see [Medical Conferences](#), earlier.

Tuition

Under special circumstances, you can include charges for tuition in medical expenses. See [Special Education](#), earlier.

You can include charges for a health plan included in a lump-sum tuition fee if the charges are separately stated or can easily be obtained from the school.

Vasectomy

You can include in medical expenses the amount you pay for a vasectomy.

Vision Correction Surgery

See [Eye Surgery](#), earlier.

Weight-Loss Program

You can include in medical expenses amounts you pay to lose weight if it is a treatment for a specific disease diagnosed by a physician (such as obesity, hypertension, or heart disease). This includes fees you pay for membership in a weight reduction group as well as fees for attendance at periodic meetings. You cannot include membership dues in a gym, health club, or spa as medical expenses, but you can include separate fees charged there for weight loss activities.

You cannot include the cost of diet food or beverages in medical expenses because the diet food and beverages substitute for what is normally consumed to satisfy nutritional needs. You can include the cost of special food in medical expenses only if:

1. The food does not satisfy normal nutritional needs,
2. The food alleviates or treats an illness, and

3. The need for the food is substantiated by a physician.

The amount you can include in medical expenses is limited to the amount by which the cost of the special food exceeds the cost of a normal diet. See also [Weight-Loss Program](#) under *What Expenses Are Not Includible*, later.

Wheelchair

You can include in medical expenses amounts you pay for an autoette or a wheelchair used mainly for the relief of sickness or disability, and not just to provide transportation to and from work. The cost of operating and maintaining the autoette or wheelchair is also a medical expense.

Wig

You can include in medical expenses the cost of a wig purchased upon the advice of a physician for the mental health of a patient who has lost all of his or her hair from disease.

X-ray

You can include in medical expenses amounts you pay for X-rays for medical reasons.

What Expenses Are Not Includible?

Following is a list of some items that you cannot include in figuring your medical expense deduction. The items are listed in alphabetical order.

Baby Sitting, Childcare, and Nursing Services for a Normal, Healthy Baby

You cannot include in medical expenses amounts you pay for the care of children, even if the expenses enable you, your spouse, or your dependent to get medical or dental treatment. Also, any expense allowed as a childcare credit cannot be treated as an expense paid for medical care.

Controlled Substances

You cannot include in medical expenses amounts you pay for controlled substances (such as marijuana, laetrile, etc.). Such substances may be legalized by state law. However, they are in violation of federal law and cannot be included in medical expenses.

Cosmetic Surgery

Generally, you cannot include in medical expenses the amount you pay for unnecessary cosmetic surgery. This includes any procedure that is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or

disease. You generally cannot include in medical expenses the amount you pay for procedures such as face lifts, hair transplants, hair removal (electrolysis), and liposuction.

You can include in medical expenses the amount you pay for cosmetic surgery if it is necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease.

Example. An individual undergoes surgery that removes a breast as part of treatment for cancer. She pays a surgeon to reconstruct the breast. The surgery to reconstruct the breast corrects a deformity directly related to the disease. The cost of the surgery is includible in her medical expenses.

Dancing Lessons

You cannot include in medical expenses the cost of dancing lessons, swimming lessons, etc., even if they are recommended by a doctor, if they are only for the improvement of general health.

Diaper Service

You cannot include in medical expenses the amount you pay for diapers or diaper services, unless they are needed to relieve the effects of a particular disease.

Electrolysis or Hair Removal

See [Cosmetic Surgery](#), earlier.

Flexible Spending Account

You cannot include in medical expenses amounts for which you are fully reimbursed by your flexible spending account if you contribute a part of your income on a pre-tax basis to pay for the qualified benefit.

Funeral Expenses

You cannot include in medical expenses amounts you pay for funerals.

Future Medical Care

Generally, you cannot include in medical expenses current payments for medical care (including medical insurance) to be provided substantially beyond the end of the year. This rule does not apply in situations where the future care is purchased in connection with obtaining lifetime care or long-term care of the type described at [Lifetime Care—Advance Payments](#) or [Long-Term Care](#) earlier under *What Medical Expenses Are Includible*.

Hair Transplant

See [Cosmetic Surgery](#), earlier.

Health Club Dues

You cannot include in medical expenses health club dues or amounts paid to improve one's general health or to relieve physical or mental discomfort not related to a particular medical condition.

You cannot include in medical expenses the cost of membership in any club organized for business, pleasure, recreation, or other social purpose.

Health Coverage Tax Credit

You cannot include in medical expenses amounts you pay for health insurance that you use in figuring your health coverage tax credit. For more information, see [Health Coverage Tax Credit](#), later.

Health Savings Accounts

You cannot include in medical expenses any payment or distribution for medical expenses out of a health savings account. Contributions to health savings accounts are deducted separately. See Publication 969.

Household Help

You cannot include in medical expenses the cost of household help, even if such help is recommended by a doctor. This is a personal expense that is not deductible. However, you may be able to include certain expenses paid to a person providing nursing-type services. For more information, see [Nursing Services](#), earlier under *What Medical Expenses Are Includible*. Also, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. For more information, see [Long-Term Care](#), earlier under *What Medical Expenses Are Includible*.

Illegal Operations and Treatments

You cannot include in medical expenses amounts you pay for illegal operations, treatments, or controlled substances whether rendered or prescribed by licensed or unlicensed practitioners.

Insurance Premiums

See [Insurance Premiums](#) under *What Medical Expenses Are Includible*, earlier.

Maternity Clothes

You cannot include in medical expenses amounts you pay for maternity clothes.

Medical Savings Account (MSA)

You cannot include in medical expenses amounts you contribute to an Archer MSA. You cannot include expenses you pay for with a tax-free distribution from your Archer MSA. You also cannot use other funds equal to the

amount of the distribution and include the expenses. For more information on Archer MSAs, see Publication 969.

Medicines and Drugs From Other Countries

In general, you cannot include in your medical expenses the cost of a prescribed drug brought in (or ordered shipped) from another country. You can only include the cost of a drug that was imported legally. For example, you can include the cost of a prescribed drug the Food and Drug Administration announces can be legally imported by individuals.

You can include the cost of a prescribed drug you purchase and consume in another country if the drug is legal in both the other country and the United States.

Nonprescription Drugs and Medicines

Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed.

Example. Your doctor recommends that you take aspirin. Because aspirin is a drug that does not require a physician's prescription, you cannot include its cost in your medical expenses.

Nutritional Supplements

You cannot include in medical expenses the cost of nutritional supplements, vitamins, herbal supplements, "natural medicines," etc. unless they are recommended by a medical practitioner as treatment for a specific medical condition diagnosed by a physician. Otherwise, these items are taken to maintain your ordinary good health, and are not for medical care.

Personal Use Items

You cannot include in medical expenses the cost of an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental defect or illness. For example, the cost of a toothbrush and toothpaste is a nondeductible personal expense.

In order to accommodate an individual with a physical defect, you may have to purchase an item ordinarily used as a personal, living, or family item in a special form. You can include the excess of the cost of the item in a special form over the cost of the item in normal form as a medical expense. (See [Braille Books and Magazines](#) under *What Medical Expenses Are Includible*, earlier.)

Swimming Lessons

See [Dancing Lessons](#), earlier.

Teeth Whitening

You cannot include in medical expenses amounts paid to whiten teeth. See [Cosmetic Surgery](#), earlier.

Veterinary Fees

You generally cannot include veterinary fees in your medical expenses, but see [Guide Dog or Other Service Animal](#) under *What Medical Expenses Are Includible*, earlier.

Weight-Loss Program

You cannot include in medical expenses the cost of a weight-loss program if the purpose of the weight loss is the improvement of appearance, general health, or sense of well-being. You cannot include amounts you pay to lose weight unless the weight loss is a treatment for a specific disease diagnosed by a physician (such as obesity, hypertension, or heart disease). If the weight-loss treatment is not for a specific disease diagnosed by a physician, you cannot include either the fees you pay for membership in a weight reduction group or fees for attendance at periodic meetings. Also, you cannot include membership dues in a gym, health club, or spa.

You cannot include the cost of diet food or beverages in medical expenses because the diet food and beverages substitute for what is normally consumed to satisfy nutritional needs.

See [Weight-Loss Program](#) under *What Medical Expenses Are Includible*, earlier.

How Do You Treat Reimbursements?

You can include in medical expenses only those amounts paid during the tax year for which you received no insurance or other reimbursement.

Insurance Reimbursement

You must reduce your total medical expenses for the year by all reimbursements for medical expenses that you receive from insurance or other sources during the year. This includes payments from Medicare.

Even if a policy provides reimbursement only for certain specific medical expenses, you must use amounts you receive from that policy to reduce your total medical expenses, including those it does not provide reimbursement for.

Example. You have insurance policies that cover your hospital and doctors' bills but not your nursing bills. The insurance you receive for the hospital and doctors' bills is more than their charges. In figuring your medical deduction, you must reduce the total amount you spent for medical care by the total amount of insurance you received, even if the policies do not cover some of your medical expenses.

Health reimbursement arrangement (HRA). A health reimbursement arrangement is an employer-funded plan that reimburses employees for medical care expenses and allows unused amounts to be carried forward. An HRA is funded solely by the employer and the reimbursements for medical expenses, up to a maximum dollar amount for a coverage period, are not included in your income.

Other reimbursements. Generally, you do not reduce medical expenses by payments you receive for:

- Permanent loss or loss of use of a member or function of the body (loss of limb, sight, hearing, etc.) or disfigurement to the extent the payment is based on the nature of the injury without regard to the amount of time lost from work, or
- Loss of earnings.

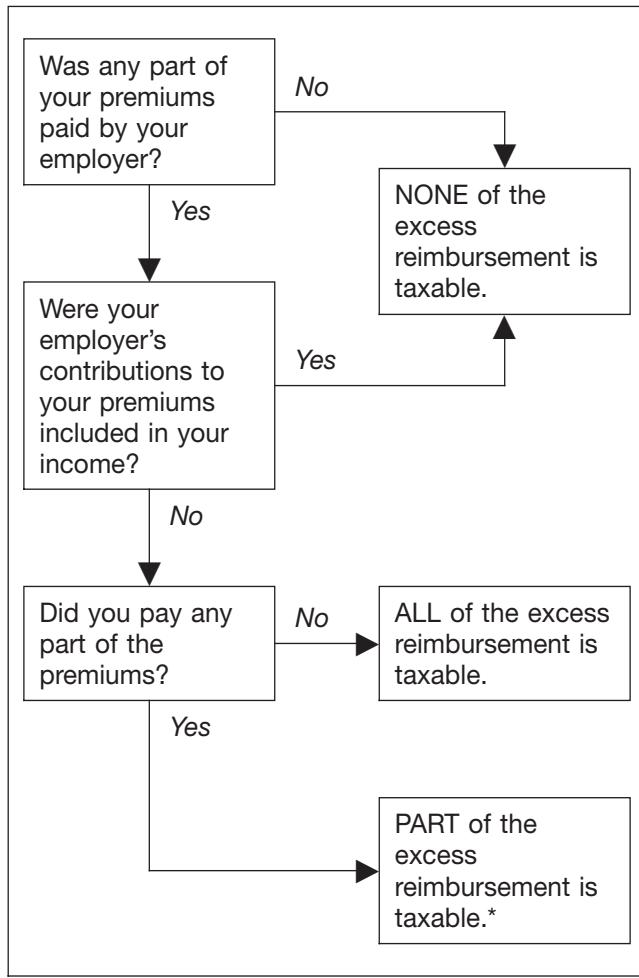
You must, however, reduce your medical expenses by any part of these payments that is designated for medical costs. See [How Do You Figure and Report the Deduction on Your Tax Return](#), later.

For how to treat damages received for personal injury or sickness, see [Damages for Personal Injuries](#), later.

What If Your Insurance Reimbursement Is More Than Your Medical Expenses?

If you are reimbursed more than your medical expenses, you may have to include the excess in income. You may want to use Figure 1 to help you decide if any of your reimbursement is taxable.

Figure 1. Is Your Excess Medical Reimbursement Taxable?



*See Premiums paid by you and your employer.

Premiums paid by you. If you pay either the entire premium for your medical insurance or all the costs of a plan similar to medical insurance and your insurance payments or other reimbursements are more than your total medical expenses for the year, you have excess reimbursement. Generally, you do not include the excess reimbursement in your gross income. However, gross income does include total payments in excess of \$300 a day (\$109,500 for 2011) for qualified long-term care services.

Premiums paid by you and your employer. If both you and your employer contribute to your medical insurance plan and your employer's contributions are not included in your gross income, you must include in your gross income the part of your excess reimbursement that is from your employer's contribution.

If you are not covered by more than one policy, you can figure the amount of the excess reimbursement you must include in gross income using Worksheet B. If you are covered under more than one policy, see [More than one policy](#), later.

Worksheet B. Excess Reimbursement Includible in Income When You Have Only One Policy

Keep for Your Records



Instructions: Use this worksheet to figure the amount of excess reimbursement you must include in income when both you and your employer contributed to your medical insurance and your employer's contributions are not included in your gross income.

1. Enter the amount contributed to your medical insurance for the year by your employer 1. _____
2. Enter the total annual cost of the policy 2. _____
3. Divide line 1 by line 2 3. _____
4. Enter the amount of excess reimbursement 4. _____
5. Multiply line 3 by line 4. This is the amount of the excess reimbursement you must include as other income on Form 1040, line 21 5. _____

Example. You are covered by your employer's medical insurance policy. The annual premium is \$2,000. Your employer pays \$600 of that amount, which is not included in your gross income, and the balance of \$1,400 is taken out of your wages. You receive \$500 excess reimbursement for your medical expenses. The part of the excess reimbursement you receive under the policy that is from your employer's contributions is figured as follows.

Worksheet B. Excess Reimbursement Includible in Income When You Have Only One Policy—Illustrated

Keep for Your Records



Instructions: Use this worksheet to figure the amount of excess reimbursement you must include in income when both you and your employer contributed to your medical insurance and your employer's contributions are not included in your gross income.

1. Enter the amount contributed to your medical insurance for the year by your employer 1. _____ 600
2. Enter the total annual cost of the policy 2. _____ 2,000
3. Divide line 1 by line 2 3. _____ .30
4. Enter the amount of excess reimbursement 4. _____ 500
5. Multiply line 3 by line 4. This is the amount of the excess reimbursement you must include as other income on Form 1040, line 21 5. _____ 150

You must include in your gross income 30% (.30) of \$500, or \$150, of the excess reimbursement you received for medical expenses under the policy.

Premiums paid by your employer. If your employer or your former employer pays the total cost of your medical insurance plan and your employer's contributions are not

included in your income, you must report all of your excess reimbursement as other income.

More than one policy. If you are covered under more than one policy, the cost of at least one of which is paid by both you and your employer, you must first divide the medical expenses among the policies to figure the excess reimbursement from each policy. Then divide the policy costs to figure the part of any excess reimbursement that is from your employer's contribution. Any excess reimbursement that is due to your employer's contributions is includible in your income.

You can figure the part of the excess reimbursement that is from your employer's contribution by using Worksheet C. Use Worksheet C only if both you and your employer paid part of the cost of at least one policy. If you had more than one policy, but you did not share in the cost of at least one policy, do not use Worksheet C.

Worksheet C. Excess Reimbursement Includible in Income When You Have More Than One Policy

Keep for Your Records



Instructions: Use this worksheet to figure the amount of excess reimbursement you must include as income on your tax return when a) you are reimbursed under two or more health insurance policies, b) at least one of which is paid for by both you and your employer, and c) your employer's contributions are not included in your gross income. If you and your employer did not share in the cost of at least one policy, do not use this worksheet.

1. Enter the reimbursement from your employer's policy 1. _____
2. Enter the reimbursement from your own policy 2. _____
3. Add lines 1 and 2 3. _____
4. Divide line 1 by line 3 4. _____
5. Enter the total medical expenses you paid during the year. If this amount is at least as much as the amount on line 3, stop here because there is no excess reimbursement. 5. _____
6. Multiply line 4 by line 5 6. _____
7. Subtract line 6 from line 1 7. _____
8. Enter employer's contribution to the annual cost of the employer's policy 8. _____
9. Enter total annual cost of the employer's policy 9. _____
10. Divide line 8 by line 9. This is the percentage of your total excess reimbursement you must report as other income 10. _____
11. Multiply line 7 by line 10. This is the amount of your total excess reimbursement you must report as other income on Form 1040, line 21 11. _____

Example. You are covered by your employer's health insurance policy. The annual premium is \$1,200. Your

employer pays \$300 and the balance of \$900 is deducted from your wages. You also paid the entire premium (\$250) for a personal health insurance policy.

During the year, you paid medical expenses of \$3,600. In the same year, you were reimbursed \$2,400 under your employer's policy and \$1,600 under your own personal policy. The amount you must report as other income is figured as follows.

Worksheet C. Excess Reimbursement Includible in Income When You Have More Than One Policy— Illustrated

Instructions: Use this worksheet to figure the amount of excess reimbursement you must include as income on your tax return when a) you are reimbursed under two or more health insurance policies, b) at least one of which is paid for by both you and your employer, and c) your employer's contributions are not included in your gross income. If you and your employer did not share in the cost of at least one policy, do not use this worksheet.

1. Enter the reimbursement from your employer's policy 1. 2,400
2. Enter the reimbursement from your own policy 2. 1,600
3. Add lines 1 and 2 3. 4,000
4. Divide line 1 by line 3 4. .60
5. Enter the total medical expenses you paid during the year. If this amount is at least as much as the amount on line 3, stop here because there is no excess reimbursement. 5. 3,600
6. Multiply line 4 by line 5 6. 2,160
7. Subtract line 6 from line 1 7. 240
8. Enter employer's contribution to the annual cost of the employer's policy 8. 300
9. Enter total annual cost of the employer's policy 9. 1,200
10. Divide line 8 by line 9. This is the percentage of your total excess reimbursement you must report as other income 10. .25
11. Multiply line 7 by line 10. This is the amount of your total excess reimbursement you must report as other income on Form 1040, line 21 11. 60

What If You Receive Insurance Reimbursement in a Later Year?

If you are reimbursed in a later year for medical expenses you deducted in an earlier year, you generally must report the reimbursement as income up to the amount you previously deducted as medical expenses.

However, you do not report as income the amount of reimbursement you received up to the amount of your medical deductions that did not reduce your tax for the earlier year.

For more information about the recovery of an amount that you claimed as an itemized deduction in an earlier

**SCHEDULE A
(Form 1040)**Department of the Treasury
Internal Revenue Service (99)**Itemized Deductions**

OMB No. 1545-0074

2011Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Bill and Helen Jones

► Attach to Form 1040.

► See Instructions for Schedule A (Form 1040).

Your social security number

000-00-0000

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see instructions)	1	3,434		
	2 Enter amount from Form 1040, line 38	2	33,004		
	3 Multiply line 2 by 7.5% (.075)	3	2,475		
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4	959		

year, see *Recoveries* in Publication 525, Taxable and Nontaxable Income.

What If You Are Reimbursed for Medical Expenses You Did Not Deduct?

If you did not deduct a medical expense in the year you paid it because your medical expenses were not more than 7.5% of your AGI, or because you did not itemize deductions, do not include the reimbursement, up to the amount of the expense, in income. However, if the reimbursement is more than the expense, see [What If Your Insurance Reimbursement Is More Than Your Medical Expenses](#), earlier.

Example. Last year, you had \$500 of medical expenses. You cannot deduct the \$500 because it is less than 7.5% of your AGI. If, in a later year, you are reimbursed for any of the \$500 of medical expenses, you do not include that amount in your gross income.

How Do You Figure and Report the Deduction on Your Tax Return?

Once you have determined which medical expenses you can include, figure and report the deduction on your tax return.

What Tax Form Do You Use?

You report your medical expense deduction on Schedule A, Form 1040. You cannot claim medical expenses on Form 1040A, U.S. Individual Income Tax Return, or Form 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents. An example of a filled-in medical and dental expense part of Schedule A is shown.

How Do You Figure Your Deduction?

To figure your medical and dental expense deduction, complete lines 1 through 4 of Schedule A, Form 1040, as follows:

Line 1. Enter the amount you paid for medical expenses after reducing the amount by payments you received from insurance and other sources.

Line 2. Enter your AGI from Form 1040, line 38.

Line 3. Multiply the amount on line 2 (AGI) by 7.5% (.075) and enter the result.

Line 4. If line 3 is more than line 1, enter -0-. Otherwise, subtract the amount on line 3 from the amount on line 1. This is your deduction for medical and dental expenses.

Example. Bill and Helen Jones belong to a group medical plan and part of their insurance is paid by Bill's employer. They file a joint return, and their AGI is \$33,004. The following list shows the net amounts, after insurance reimbursements, that Bill and Helen paid this year for medical expenses.

- For themselves, Bill and Helen paid \$375 for prescription medicines and drugs, \$337 for hospital bills, \$439 for doctor bills, \$295 for hospitalization insurance, \$380 for medical and surgical insurance, and \$33 for transportation for medical treatment, which totals \$1,859.
- For Grace Taylor (Helen's dependent mother), they paid \$300 for doctors, \$300 for insulin, and \$175 for eyeglasses, which totals \$775.
- For Betty Jones (Bill's dependent sister), they paid \$450 for doctors and \$350 for prescription medicines and drugs, which totals \$800.

Bill and Helen add all their medical and dental expenses together ($\$1,859 + \$775 + \$800 = \$3,434$). They figure their deduction on the medical and dental expenses part of Schedule A, Form 1040, as shown.



Recordkeeping. For each medical expense, you should keep a record of:

- The name and address of each person you paid, and
- The amount and date of each payment.

You can keep a record like the following.

Record of medical expenses

	Name of person paid	Address of person paid	Amount paid	Date paid	Transportation (mileage, taxi, etc.)
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					

You should also keep a statement or itemized invoice showing the following.

- What medical care was received.
- Who received the care.
- The nature and purpose of any other medical expenses.
- Who the other medical expenses were for.
- The amount of the other medical expenses and the date of payment.

Do not send these records with your return.

Sale of Medical Equipment or Property

If you deduct the cost of medical equipment or property in one year and sell it in a later year, you may have a taxable gain. The taxable gain is the amount of the selling price that is more than the adjusted basis of the equipment or property.

The adjusted basis is the portion of the cost of the equipment or property that you could not deduct because of the 7.5% limit used to compute the medical deduction. Use Worksheet D, later, to figure the adjusted basis of the equipment or property.

Worksheet D. Adjusted Basis of Medical Equipment or Property Sold

Keep for Your Records



Instructions: Use this worksheet if you deducted the cost of medical equipment or property in one year and sold the equipment or property in a later year. This worksheet will give you the adjusted basis of the equipment or property you sold.

1. Enter the cost of the equipment or property. 1.

2. Enter your total includable medical expenses for the year you included the cost in your medical expenses 2.
3. Divide line 1 by line 2 3.
4. Enter 7.5% of your AGI for the year the cost was included in your medical expenses 4.
5. Multiply line 3 by line 4. If your allowable itemized deductions for the year you purchased the equipment or property were not more than your AGI for that year, stop here. This is the adjusted basis of the equipment or property. If your allowable itemized deductions for the year you purchased the equipment or property were more than your AGI for that year, complete lines 6 through 11 5.
6. Subtract line 5 from line 1 6.
7. Enter your total allowable itemized deductions for the year the cost was included in your medical expenses 7.
8. Divide line 6 by line 7 8.
9. Enter your AGI for the year the cost was included in your medical expenses 9.
10. Subtract line 9 from line 7 10.
11. Multiply line 8 by line 10. 11.
12. Add line 5 to line 11. If your allowable itemized deductions for the year you purchased the equipment or property were more than your AGI for that year, this is the adjusted basis of the equipment or property 12.

Next, use Worksheet E to figure the total gain or loss on the sale of the medical equipment or property.

Worksheet E. Gain or Loss On the Sale of Medical Equipment or Property

Keep for Your Records



Instructions: Use the following worksheet to figure total gain or loss on the sale of medical equipment or property that you deducted in an earlier year.

1. Enter the amount that the medical equipment or property sold for 1. _____
2. Enter your selling expenses 2. _____
3. Subtract line 2 from line 1 3. _____
4. Enter the adjusted basis of the equipment or property from Worksheet D, line 5, or line 12, if applicable 4. _____
5. Subtract line 4 from line 3. This is the total gain or loss from the sale of the medical equipment or property. 5. _____

If you have a loss, it is not deductible. If you have a gain, it is includable in your income. The part of the gain that is a recovery of an amount you previously deducted is taxable as ordinary income. Enter it on Form 1040, line 21. Any part of the gain that is more than the recovery of an amount you previously deducted is taxable as a capital gain. Enter it on Form 8949, Sales and Other Dispositions of Capital Assets, and Schedule D (Form 1040), Capital Gains and Losses.

For more information about the recovery of an amount that you claimed as an itemized deduction in an earlier year, see *Recoveries* in Publication 525.

Example. You have a heart condition and difficulty breathing. Your doctor prescribed oxygen equipment to help you breathe. Last year, you bought the oxygen equipment for \$3,000. You itemized deductions and included it in your medical expense deduction.

Last year you also paid \$10,750 for deductible medical services and \$6,400 for other itemized deductions. Your AGI was \$15,000.

Taking into account the 7.5% limit on medical expenses, your allowable itemized deductions totaled \$19,025, figured as follows:

Oxygen equipment	3,000
Medical services	10,750
Total medical expenses	13,750
7.5% of AGI (.075 × \$15,000)	-1,125
Allowable medical expense deduction	12,625
Other itemized deductions	6,400
Allowable itemized deductions	19,025

You figure your adjusted basis as shown on the filled-in Worksheet D.

Worksheet D. Adjusted Basis of Medical Equipment or Property Sold—Illustrated

Keep for Your Records



Instructions: Use this worksheet if you deducted the cost of medical equipment or property in one year and sold the equipment or property in a later year. This worksheet will give you the adjusted basis of the equipment or property you sold.

1. Enter the cost of the equipment or property. 1. 3,000
2. Enter your total includible medical expenses for the year you included the cost in your medical expenses 2. 13,750
3. Divide line 1 by line 2 3. .218
4. Enter 7.5% of your AGI for the year the cost was included in your medical expenses 4. 1,125
5. Multiply line 3 by line 4. If your allowable itemized deductions for the year you purchased the equipment or property were not more than your AGI for that year, stop here. This is the adjusted basis of the equipment or property. If your allowable itemized deductions for the year you purchased the equipment or property were more than your AGI for that year, complete lines 6 through 11 5. 245
6. Subtract line 5 from line 1 6. 2,755
7. Enter your total allowable itemized deductions for the year the cost was included in your medical expenses 7. 19,025
8. Divide line 6 by line 7 8. .145
9. Enter your AGI for the year the cost was included in your medical expenses 9. 15,000
10. Subtract line 9 from line 7 10. 4,025
11. Multiply line 8 by line 10. 11. 584
12. Add line 5 to line 11. If your allowable itemized deductions for the year you purchased the equipment or property were more than your AGI for that year, this is the adjusted basis of the equipment or property. 12. 829

This year you sold the oxygen equipment for \$2,025 and you had selling expenses of \$25. You must report on this year's tax return part of the \$2,000 as ordinary income. To compute the part of the sales price that is taxable, you must determine the gain by subtracting the total adjusted basis from the selling price.

Worksheet E. Gain or Loss On the Sale of Medical Equipment or Property—Illustrated

Keep for Your Records



Instructions: Use the following worksheet to figure gain or loss on the sale of medical equipment or property that you deducted in an earlier year.

1. Enter the amount that the medical equipment or property sold for 1. 2,025
2. Enter your selling expenses 2. 25
3. Subtract line 2 from line 1 3. 2,000
4. Enter the adjusted basis of the equipment or property from Worksheet D, line 5, or line 12, if applicable 4. 829
5. Subtract line 4 from line 3. This is the total gain or loss from the sale of the medical equipment or property. 5. 1,171

Damages for Personal Injuries

If you receive an amount in settlement of a personal injury suit, part of that award may be for medical expenses that you deducted in an earlier year. If it is, you must include that part in your income in the year you receive it to the extent it reduced your taxable income in the earlier year. See [What If You Receive Insurance Reimbursement in a Later Year](#), discussed earlier under *How Do You Treat Reimbursements*.

Example. You sued this year for injuries you suffered in an accident last year. You sought \$10,000 for your injuries and did not itemize your damages. Last year, you paid \$500 for medical expenses for your injuries. You deducted those expenses on last year's tax return. This year you settled your lawsuit for \$2,000. Your settlement did not itemize or allocate the damages. The \$2,000 is first presumed to be for the medical expenses that you deducted. The \$500 is includable in your income this year because you deducted the entire \$500 as a medical expense deduction last year.

Future medical expenses. If you receive an amount in settlement of a damage suit for personal injuries, part of that award may be for future medical expenses. If it is, you must reduce any future medical expenses for these injuries until the amount you received has been completely used.

Example. You were injured in an accident. You sued and sought a judgment of \$50,000 for your injuries. You settled the suit for \$45,000. The settlement provided that \$10,000 of the \$45,000 was for future medical expenses for your injuries. You cannot include the first \$10,000 that you pay for medical expenses for those injuries.

Workers' compensation. If you received workers' compensation and you deducted medical expenses related to

that injury, you must include the workers' compensation in income up to the amount you deducted. If you received workers' compensation, but did not deduct medical expenses related to that injury, do not include the workers' compensation in your income.

Impairment-Related Work Expenses

If you are a person with disabilities, you can take a business deduction for expenses that are necessary for you to be able to work. If you take a business deduction for these impairment-related work expenses, they are not subject to the 7.5% limit that applies to medical expenses.

You have a disability if you have:

- A physical or mental disability (for example, blindness or deafness) that functionally limits your being employed, or
- A physical or mental impairment (for example, a sight or hearing impairment) that substantially limits one or more of your major life activities, such as performing manual tasks, walking, speaking, breathing, learning, or working.

Impairment-related expenses defined. Impairment-related expenses are those ordinary and necessary business expenses that are:

- Necessary for you to do your work satisfactorily,
- For goods and services not required or used, other than incidentally, in your personal activities, and
- Not specifically covered under other income tax laws.

Where to report. If you are self-employed, deduct the business expenses on the appropriate form (Schedule C, C-EZ, E, or F) used to report your business income and expenses.

If you are an employee, complete Form 2106, Employee Business Expenses, or Form 2106-EZ, Unreimbursed Employee Business Expenses. Enter on Schedule A (Form 1040), line 28, that part of the amount on Form 2106, line 10, or Form 2106-EZ, line 6, that is related to your impairment. Enter the amount that is unrelated to your impairment on Schedule A (Form 1040), line 21. Your impairment-related work expenses are not subject to the 2%-of-adjusted-gross-income limit that applies to other employee business expenses.

Example. You are blind. You must use a reader to do your work. You use the reader both during your regular working hours at your place of work and outside your regular working hours away from your place of work. The reader's services are only for your work. You can deduct your expenses for the reader as business expenses.

Health Insurance Costs for Self-Employed Persons

If you were self-employed and had a net profit for the year, you may be able to deduct, as an adjustment to income, amounts paid for medical and qualified long-term care insurance on behalf of yourself, your spouse, your dependents, and your children who were under age 27 at the end of 2011. For this purpose, you were self-employed if you were a general partner (or a limited partner receiving guaranteed payments) or you received wages from an S corporation in which you were more than a 2% shareholder. The insurance plan must be established under your trade or business and the deduction cannot be more than your earned income from that trade or business.

You cannot deduct payments for medical insurance for any month in which you were eligible to participate in a health plan subsidized by your employer, your spouse's employer or an employer of your dependent or your child under age 27 at the end of 2011. You cannot deduct payments for a qualified long-term care insurance contract for any month in which you were eligible to participate in a long-term care insurance plan subsidized by your employer or your spouse's employer.

If you qualify to take the deduction, use the Self-Employed Health Insurance Deduction Worksheet in the Form 1040 instructions to figure the amount you can deduct. But if any of the following applies, do not use that worksheet.

- You had more than one source of income subject to self-employment tax.
- You file Form 2555, Foreign Earned Income, or Form 2555-EZ, Foreign Earned Income Exclusion.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.

If you cannot use the worksheet in the Form 1040 instructions, use the worksheet in Publication 535, Business Expenses, to figure your deduction.

If, during 2011, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, reemployment TAA (RTAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, see the instructions for Form 8885 to figure the amount to enter on line 1 of the worksheet.

When figuring the amount you can deduct for insurance premiums, do not include amounts paid for health insurance coverage with retirement plan distributions that were tax-free because you are a retired public safety officer.

Where to report. You take this deduction on Form 1040, line 29. If you itemize your deductions and do not claim 100% of your self-employed health insurance costs on line 29, include any remaining premiums with all other medical expenses on Schedule A (Form 1040), subject to the 7.5% limit.

Child under age 27. If the insurance policy covers your nondependent child who was under age 27 at the end of 2011, you can claim the premiums for that coverage on

Form 1040, line 29. If you cannot claim 100% of your self-employed health insurance costs on line 29, any excess amounts attributable to that child are not eligible to be claimed on Schedule A (Form 1040).

Generally, family health insurance premiums do not increase if coverage for an additional child is added. If this is the situation, no allocation would be necessary. If the premiums did increase (such as where coverage was expanded from single to family to add the non-dependent child), you can allocate the amount on line 29 to the non-dependent child and any excess amounts not attributable to that child would be eligible to be claimed on Schedule A.

Example 1. Naomi is self-employed in 2011 and has self-only coverage for health insurance. Her premium for that coverage was \$5,000 for the year. She changes to family coverage only to add her 26-year-old nondependent child to the plan. Her health insurance premium increases to \$10,000 for the year. After completing the Self-Employed Health Insurance Deduction Worksheet for Form 1040, line 29, she can only deduct \$4,000 on line 29. The \$4,000 is allocable to the nondependent child. On Schedule A, she can only claim the \$5,000 allocable to her coverage. She cannot claim the \$1,000 excess premiums allocable to the nondependent child.

Example 2. The facts are the same as in Example 1, except that Naomi had family coverage when she added her 26-year-old nondependent child to the policy. There was no increase in the \$10,000 premium. In this case, she could claim \$4,000 on line 29 and \$6,000 on Schedule A.

More information. For more information, see Publication 535.

COBRA Premium Assistance

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) provides that if you were covered under a group health plan and you would lose coverage because of a qualifying event, you should be allowed an opportunity to elect COBRA continuation health coverage under the plan. If there was no available election, your employer or the plan was subject to an excise tax. You can be required to pay the full premium for the COBRA continuation coverage.

If you are an assistance eligible individual, you pay 35% of the premium otherwise payable for this coverage and are treated as having paid the full premium. You are an assistance eligible individual if:

- You are a qualified beneficiary as a result of an involuntary termination that occurred during the period beginning on September 1, 2008, and ending on May 31, 2010, or had a reduction of hours during that period, which was followed by a termination of your employment that occurred after March 1, 2010, and before June 1, 2010,
- You are eligible for COBRA continuation coverage related to the qualifying event occurring during the period beginning on September 1, 2008, and

- You elect the coverage.

A qualified beneficiary is generally any individual who is covered under a group health plan on the day before the involuntary termination. This includes the covered employee, the employee's spouse, and the employee's dependent.

The premium assistance (the 65% reduction of the premium) applies to the first period of coverage beginning after February 16, 2009. The reduction applies until the earliest of:

1. The first date the assistance eligible individual becomes eligible for other group health plan coverage or Medicare coverage,
2. The date that is 15 months after the first day of the first month for which the reduced premium applies to the individual, or
3. The date the individual ceases to be eligible for COBRA continuation coverage.

The premium assistance is not included in your gross income. However, if your modified adjusted gross income (AGI) is more than \$125,000 (\$250,000 if married filing jointly) but not more than \$145,000 (\$290,000 if married filing jointly), your income tax for the year is increased by a percentage of the premium assistance. Use *Worksheet F* to figure the amount you must include as tax on your return. If your modified AGI is more than \$145,000 (\$290,000 if married filing jointly), your income tax for the tax year is increased by the total premium assistance. Include the increase in your income tax on Form 1040, line 60, or Form 1040NR, line 59. On the dotted line next to that line, enter the amount of the tax and identify it as "COBRA."

Worksheet F. Recapture of COBRA Premium Assistance for Higher Income Taxpayers

Keep for Your Records



Instructions: Use the following worksheet to figure the taxable portion of your COBRA premium if your modified AGI (line 3 below) is more than \$125,000 (\$250,000 if married filing jointly) but less than \$145,000 (\$290,000 if married filing jointly).

1. Enter your AGI (Form 1040, line 38 or Form 1040NR, line 36) 1. _____
2. Enter the total of any amounts from Form 2555, lines 45 and 50; Form 2555-EZ, line 18; and Form 4563, line 15, and any exclusion of income from American Samoa and Puerto Rico 2. _____
3. Modified AGI. Add lines 1 and 2 3. _____
4. Enter \$125,000 (\$250,000 if married filing jointly) 4. _____
5. Subtract line 4 from line 3 5. _____
6. Enter \$20,000 (\$40,000 if married filing jointly) 6. _____
7. Divide line 5 by line 6. Enter the result as a decimal (rounded to at least 3 places) 7. _____
8. Enter the amount of the COBRA premium assistance* you received in 2011 8. _____
9. Multiply line 8 by line 7. Enter result here and include it on Form 1040, line 60 or Form 1040NR, line 59. On the dotted line next to that line, enter the amount shown on line 9 and identify it as "COBRA." 9. _____

*Contact your former employer or health insurance plan to obtain the total premium assistance, if unknown.

You may elect to permanently waive the right to the premium assistance. You will not receive the premium assistance and you will not have to include the assistance in your income tax if your modified AGI is more than \$125,000 (\$250,000 if married filing jointly). To make this election, give a signed and dated notification (include a reference to "permanent waiver") to the person to whom premiums are payable.

You will not qualify for the health coverage tax credit (discussed next) for any month for which you receive premium assistance.

For more information see Notice 2009-27, available at www.irs.gov/irb/2009-16_irb/ar09.

Health Coverage Tax Credit

If you paid the premiums for qualified health insurance coverage, you may be able to claim the health coverage tax credit (HCTC). If you are eligible, you can get monthly HCTC (advance payments), a yearly HCTC, or a combination of these methods (see [How To Take the Credit](#), later). The HCTC is 80% of the payments made in January and February 2011; it is 72.5% of the payments made in March through December 2011. Participants who received an advance (monthly) payment for any months from March through December are now eligible to receive an additional 7.5% retroactive credit. For more information on how to claim the retroactive tax credit, see *Yearly HCTC*, later.

More information. For a complete discussion of the HCTC, visit IRS.gov and enter "HCTC" in the search box. Also, see Form 8885.

Who Can Take This Credit?

You can take this credit for any month in which all of the following were true on the first day of the month.

1. You were an eligible:
 - a. Trade adjustment assistance (TAA) recipient,
 - b. Alternative TAA recipient,
 - c. Reemployment TAA recipient,
 - d. Pension Benefit Guaranty Corporation (PBGC) pension payee, or
 - e. You were a qualifying family member of an individual described in a, b, c, or d when he or she enrolled in Medicare, died, or got divorced. See *Family members in certain life events*, later.
2. You paid the premium for qualified health insurance coverage for yourself or a qualifying family member. See [Qualified Health Insurance](#), later.
3. You were not imprisoned under federal, state, or local authority.
4. You did not have other specified coverage. See [Other Specified Coverage](#), later.

If you were an eligible individual described in 1a, 1b, 1c, or 1d, your state's workforce agency (unemployment office) or the PBGC will notify the HCTC Program that you may be eligible for the credit. When notified, the HCTC Program will mail you an HCTC Eligibility Certificate. If you have not received the Eligibility Certificate, you may not be an eligible individual and not qualify for the credit. If you believe you are eligible for the HCTC and have not received a Eligibility Certificate, go to IRS.gov and enter "HCTC" in the search box for information on how to contact the HCTC Program.



It can take the state or PBGC time to notify the HCTC Program about the event. You should make the full premium payments to your health plan until you are enrolled in the HCTC Program. You may

be able to claim the yearly HCTC for these premiums when you file your tax return.

No credit if dependent of another taxpayer. You cannot take this credit if you can be claimed as a dependent on someone else's tax return.

Qualifying Family Member

You can include the premiums you pay for qualified health insurance for qualifying family members in figuring your credit. A qualifying family member is:

- Your spouse (but see *Both spouses eligible* below), or
- Anyone whom you can claim as a dependent on your tax return. (For children whose parents are divorced, see [Children of divorced or separated parents](#), later.)

However, anyone who has other specified coverage (defined later) is not a qualifying family member.

Both spouses eligible. Your spouse is not treated as a qualifying family member if all of the following are true.

- You are married at the end of the year.
- You and your spouse are both eligible recipients during the year.
- You file separate tax returns.

Married and living apart. For purposes of this credit, you are not considered married on the last day of the year if all of the following apply.

- You file a separate return.
- Your home is the home for more than half the year of a dependent under age 13 or a dependent who is physically or mentally not able to care for himself or herself.
- You pay more than half the cost of keeping up your home for the year.
- Your spouse does not live in your home for the last 6 months of the year.

Legally separated. You are not considered married if you are legally separated from your spouse under a decree of divorce or separate maintenance.

Children of divorced or separated parents. Under the rules for medical expenses, a child of divorced or separated parents can be treated as a dependent of both parents if certain requirements are met. See [Qualifying Child](#) under *Whose Medical Expenses Can You Include*, earlier. However, for purposes of the HCTC, only the custodial parent can treat the child as a qualifying family member, even if the other parent can claim the child as a dependent. The custodial parent is the parent having custody for the greater portion of the tax year.

Family members in certain life events (enrollment in Medicare, death, or divorce). Qualifying family members (spouses and dependents) are considered recipients and are eligible to receive the HCTC in the event that the TAA,

ATAA, RTAA recipient or PBGC payee enrolls in Medicare, dies, or gets divorced. Qualifying family members can receive the tax credit for up to 24 months from the month of the event, or until January 1, 2014, whichever comes first. Eligible taxpayers who plan to claim this credit because of these life events must call the HCTC Program prior to filing Form 8885 to ensure the form is processed correctly. See *State-qualified health insurance*, later, for the phone number.

Qualified Health Insurance

The following health insurance qualifies for the credit.

- COBRA continuation coverage. (This is coverage that employers with 20 or more employees must offer to employees or former employees and their beneficiaries who have lost coverage because of certain events.) See the caution below.
- Coverage under a group health plan that is available through the employment of your spouse. (But see *Other Specified Coverage*, later.)
- Coverage under an individual health insurance policy if you were covered during the entire 30-day period that ends on the date you separated from the employment which qualified you for TAA, ATAA, RTAA, or PBGC pension benefits. For this purpose, coverage under an individual health insurance policy includes medical insurance offered to individuals and their families, but does not include any insurance connected with a group health plan or federal- or state-based health insurance coverage.



*COBRA continuation coverage allows individuals who had lost their jobs to receive a reduction in health insurance premiums. You do **not** qualify for the HCTC for any month that you received a reduction in premium.*

Voluntary Employee's Beneficiary Association (VEBA)
A health plan purchased through a VEBA that was established through the bankruptcy of your former employer and was offered to you in lieu of COBRA coverage and retiree benefits is a qualified plan. Not all VEBA's qualify for the HCTC.

State-qualified health insurance. Certain state qualified health insurance can qualify for a credit. To find out which plans are qualified for your state, you can:

- Visit IRS.gov, and type "hctc" in the search box, and then, click on *HCTC: List of State-Qualified Health Plans*, or
- You can call 1-866-628-4282 (tollfree) (or TDD/TTY 1-866-626-4282).

Nonqualified Health Insurance

The following health insurance does not qualify for the credit.

1. Medicare supplemental (Medigap) insurance, Tricare supplemental insurance, or similar supplemental insurance to an employer-sponsored group health plan.
2. Any insurance if substantially all of the coverage is:
 - a. Coverage for on-site medical clinics,
 - b. Hospital indemnity or other fixed indemnity insurance,
 - c. Accident or disability income insurance (or a combination of the two),
 - d. Liability insurance,
 - e. A supplement to liability insurance,
 - f. Workers' compensation or similar insurance,
 - g. Automobile medical payment insurance,
 - h. Credit-only insurance,
 - i. Limited scope dental or vision benefits,
 - j. Benefits for long-term care, nursing home care, home health care, community-based care (or any combination), or
 - k. Coverage for only a specified disease or illness.
3. Coverage under a flexible spending or similar arrangement.

Insurance that covers other individuals. If you have qualified health insurance that covers anyone besides yourself and your qualifying family member(s) (defined earlier), you may not be able to take into account all of your payments. You cannot treat an amount as paid for insurance for yourself and qualifying family members unless all of the following requirements are met.

- The charge for insurance for yourself and qualifying family members is either separately stated in the contract or furnished to you by the insurance company in a separate statement.
- The amount you paid for insurance for yourself and qualifying family members is not more than the charge that is stated in the contract or furnished by the insurance company.
- The amount stated in the contract or furnished by the insurance company is not unreasonably large in relation to the total charges under the contract.

Eligible Coverage Month

Eligibility for the credit is determined on a monthly basis. An eligible coverage month is any month in which, as of the first day of the month, you:

1. Are an eligible recipient or a qualified family member in certain life events (defined earlier),
2. Are covered by qualified health insurance (defined earlier) that you pay for,

3. Do not have other specified coverage (defined later), and
4. Are not imprisoned under federal, state, or local authority.

If you file a joint return, only one spouse has to satisfy the requirements.

COBRA premium assistance. An individual who receives COBRA premium assistance (discussed earlier) for a month is disqualified from receiving the HCTC for that month.

Other Specified Coverage

Even if you or your qualifying family member are otherwise eligible, you or your qualifying family member are not eligible for the credit for a month if, as of the first day of the month, you or your qualifying family member have other specified coverage. Other specified coverage is coverage under the following.

1. Any insurance which constitutes medical care (unless substantially all of that insurance is for benefits listed earlier under (1) or (2) under Nonqualified Health Insurance) if at least 50% of the cost of the coverage is paid by an employer (or former employer) of you or your spouse.
2. Any of the following government health programs:
 - a. Medicare Part A, B, or C,
 - b. Medicaid, or the Children's Health Insurance Program (CHIP),
 - c. The Federal Employees Health Benefit Program (FEHBP), or
 - d. Tricare, the medical and dental care program for members and certain former members of the uniformed services and their dependents.

Benefits from the Veterans Administration. Entitlement to or receipt of benefits from the Veterans Administration is not other specified coverage.

How To Take the Credit

If you claim this credit, you cannot take the same expenses that you use to figure your HCTC into account in determining your:

- Medical and dental expenses on Schedule A (Form 1040), or
- Self-employed health insurance deduction.

You cannot use payments you made with funds from the following accounts to figure the credit:

- Health Savings Accounts (HSAs), or
- Archer Medical Savings Accounts (MSAs).

Yearly HCTC

The HCTC is 80% for payments made in January and February 2011; it is 72.5% for payments made in March through December 2011. To claim the yearly HCTC, complete Form 8885, and attach it to your Form 1040, Form 1040NR, U.S. Nonresident Alien Income Tax Return; Form 1040-SS, U.S. Self-Employment Tax Return; or Form 1040-PR, Planilla para la Declaración de la Contribución Federal sobre al Trabajo por Cuenta Propia. You cannot claim the credit on Form 1040A, Form 1040EZ, or Form 1040NR-EZ, U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents.

You may claim the yearly HCTC if you were an eligible recipient and:

- Did not receive monthly HCTC (advanced payments), or
- Received advanced payments and also made eligible payments directly to your health plan.

A participant in the monthly HCTC who received an advance (monthly) payment for any month from March through December 2011 is now eligible to receive an additional 7.5% retroactive credit. The HCTC Program has calculated and reported this additional credit in the box to the left of box 8 on your 2011 Form 1099-H. Add this amount to the sum of any amounts on Form 8885, line 6, and then enter the total on Form 8885, line 7.

Example. You became eligible for the HCTC on June 1, 2011. You enrolled in a state-qualified health plan and registered for advance payments in June. You paid the premiums for the first 2 months to the health plan. You receive your first HCTC invoice for the amount due at the end of July (for August coverage). You begin paying the HCTC Program at that time. You may claim the yearly HCTC for the payments you made directly to the health plan during enrollment in the HCTC.

Required documents. You must attach to your tax return the documents listed in the Form 8885 instructions.

If you e-file, you must attach a copy of Form 8885 and the required documents to Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return. Mail Form 8453 and the attachments to the address shown in the Form 8453 instructions.

Refundable credit. The HCTC is refundable. You can claim the full credit even if you do not owe any taxes or earn any income. To get the credit, you must:

1. Qualify for the credit, and
2. File a tax return, even if you:
 - a. Do not owe any tax,
 - b. Did not earn enough money to file a return, or
 - c. Did not have income taxes withheld from your pay.

Monthly HCTC

Under monthly HCTC (advance payments), you only pay part of the premium for health insurance and the HCTC Program pays the rest of the premium. The part paid by the HCTC Program is your monthly HCTC.

You pay your part of the premium to the HCTC Program. The program adds the advance payment and pays the total premium to your health plan.

If you want to receive the monthly HCTC, you must fill out the registration form and send it and any supporting documents to the HCTC Program. Once you are enrolled in the HCTC Program, you will receive a monthly invoice stating the amount you must pay to the program and the due date.

If you receive a monthly HCTC, you will get Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments. The form shows you the total of your advance payments and for which months payments were made (including months for which retroactive payments were made). You cannot claim the yearly HCTC for any month for which you received a monthly HCTC.

However, participants who received an advance (monthly) payment for any month from March through December 2011 are now eligible to receive an additional 7.5% retroactive credit. The HCTC Program has calculated and reported this additional credit in the box to the left of box 8 on your 2011 Form 1099-H. Add this amount to the sum of any amounts on Form 8885, line 6, and then enter the total on Form 8885, line 7.

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free help with your return. Free help in preparing your return is available nationwide from IRS-certified volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-moderate income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Most VITA and TCE sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, visit IRS.gov or call 1-800-906-9887 or 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's website at www.aarp.org/money/taxaide.

For more information on these programs, go to IRS.gov and enter keyword "VITA" in the upper right-hand corner.



Internet. You can access the IRS website at IRS.gov 24 hours a day, 7 days a week to:

- Check the status of your 2011 refund. Go to IRS.gov and click on *Where's My Refund*. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2011 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Download forms, including talking tax forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- Use the online Internal Revenue Code, regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant available online at www.irs.gov/individuals.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.

- **TTY/TDD equipment.** If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- **TeleTax topics.** Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- **Refund information.** You can check the status of your refund on the new IRS phone app. Download the free IRS2Go app by visiting the iTunes app store or the Android Marketplace. IRS2Go is a new way to provide you with information and tools. To check the status of your refund by phone, call 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2011 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- **Other refund information.** To check the status of a prior-year refund or amended return refund, call 1-800-829-1040.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



Walk-in. Many products and services are available on a walk-in basis.

- **Products.** You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- **Services.** You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call

your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.



Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Taxpayer Advocate Service. The Taxpayer Advocate Service (TAS) is your voice at the IRS. Our job is to ensure that every taxpayer is treated fairly, and that you know and understand your rights. We offer free help to guide you through the often-confusing process of resolving tax problems that you haven't been able to solve on your own. Remember, the worst thing you can do is nothing at all.

TAS can help if you can't resolve your problem with the IRS and:

- Your problem is causing financial difficulties for you, your family, or your business.
- You face (or your business is facing) an immediate threat of adverse action.
- You have tried repeatedly to contact the IRS but no one has responded, or the IRS has not responded to you by the date promised.

If you qualify for our help, we'll do everything we can to get your problem resolved. You will be assigned to one advocate who will be with you at every turn. We have offices in every state, the District of Columbia, and Puerto Rico. Although TAS is independent within the IRS, our advocates know how to work with the IRS to get your problems resolved. And our services are always free.

As a taxpayer, you have rights that the IRS must abide by in its dealings with you. Our tax toolkit at www.TaxpayerAdvocate.irs.gov can help you understand these rights.

If you think TAS might be able to help you, call your local advocate, whose number is in your phone book and on our website at www.irs.gov/advocate. You can also call our toll-free number at 1-877-777-4778.

TAS also handles large-scale or systemic problems that affect many taxpayers. If you know of one of these broad issues, please report it to us through our Systemic Advocacy Management System at www.irs.gov/advocate.

Low Income Taxpayer Clinics (LITCs). Low Income Taxpayer Clinics (LITCs) are independent from the IRS.

Some clinics serve individuals whose income is below a certain level and who need to resolve a tax problem. These clinics provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. Some clinics can provide information about taxpayer rights and responsibilities in many different languages for individuals who speak English as a second language. For more information and to find a clinic near you, see the LITC page on www.irs.gov/advocate or IRS Publication 4134, *Low Income Taxpayer Clinic List*. This publication is also available by calling 1-800-829-3676 or at your local IRS office.

Free tax services. Publication 910, IRS Guide to Free Tax Services, is your guide to IRS services and resources. Learn about free tax information from the IRS, including publications, services, and education and assistance programs. The publication also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on the telephone. The majority of the information and services listed in this publication are available to you free of charge. If there is a fee associated with a resource or service, it is listed in the publication.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.



DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.

- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Links to other Internet based Tax Research materials.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
 - The first release will ship the beginning of January 2012.
 - The final release will ship the beginning of March 2012.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for \$30 (plus a \$6 handling fee).



A	
Abortion	<u>5</u>
Acupuncture	<u>5</u>
Adopted child's medical expenses	<u>4</u>
AGI limitation	<u>2, 3</u>
Alcoholism	<u>5</u>
Ambulances	<u>5</u>
Archer MSAs:	
Health coverage tax credit	<u>28</u>
Medical expenses paid for decedent from	<u>5</u>
Artificial limbs	<u>5</u>
Artificial teeth	<u>6</u>
Aspirin	<u>16</u>
Assistance (See Tax help)	
Assisted living homes	<u>12</u>
Athletic club dues	<u>16</u>
Autoette	<u>15</u>
Automobiles (See Cars)	
 B	
Baby sitting	<u>15</u>
Bandages	<u>6</u>
Basis:	
Medical equipment or property (Worksheet D)	<u>21</u>
Birth control pills	<u>6</u>
Body scan	<u>6</u>
Braille books and magazines	<u>6</u>
Breast pumps and supplies	<u>6</u>
Breast reconstruction surgery	<u>6</u>
 C	
Calculation of deduction	<u>20</u>
Capital expenses	<u>6</u>
Improvements to rented property	<u>7</u>
Operation and upkeep	<u>7</u>
Worksheet A	<u>7</u>
Cars	<u>7</u>
Out-of-pocket expenses	<u>14</u>
Standard medical mileage rates	<u>14</u>
Child care	<u>15</u>
Children's medical expenses:	
Adopted child	<u>4</u>
Dependents	<u>3</u>
Chiropractor	<u>7</u>
Christian Scientist practitioner	<u>7</u>
 D	
Dancing lessons	<u>15</u>
Decedent's medical expenses	<u>5</u>
Deductible amount	<u>3</u>
Deductible expenses	<u>3-15</u>
Definition of medical expenses:	
Doctor	<u>2</u>
Physician	<u>2</u>
Dental treatment	<u>7</u>
Artificial teeth	<u>6</u>
Teeth whitening	<u>16</u>
Dentures	<u>6</u>
Dependent's medical expenses:	
Adopted child	<u>4</u>
Multiple support agreement	<u>4</u>
Qualifying child	<u>3</u>
Qualifying relative	<u>3</u>
Dependents:	
Disabled dependent care	<u>7, 10</u>
Diagnostic devices	<u>7</u>
Diaper services	<u>15</u>
Disabilities, persons with:	
Dependent care expenses	<u>7, 10</u>
Improvements to rented property	<u>7</u>
Special education	<u>13</u>
Divorced taxpayers:	
Medical expenses of child	<u>4</u>
Drug addiction	<u>8</u>
Drugs (See Medicines)	
Dues:	
Health club	<u>16</u>
 E	
Education, special	<u>13</u>
Electrolysis	<u>15</u>
 F	
Fertility enhancement:	
Eggs, temporary storage of	<u>8</u>
Fertility	<u>8</u>
In vitro fertilization	<u>8</u>
Figuring the deduction	<u>20-21</u>
Final return for decedent:	
Medical expenses paid	<u>5</u>
Flexible spending account	<u>15</u>
Food (See Weight-loss programs)	
Form 1040:	
Health coverage tax credit	<u>28</u>
Self-employed persons, health insurance costs	<u>24</u>
Form 1040, Schedule A:	
Impairment-related work expenses	<u>23</u>
Medical and dental expenses	<u>2, 20</u>
Self-employed persons, health insurance costs	<u>24</u>
Form 1040, Schedule C:	
Impairment-related work expenses	<u>23</u>
Form 1040, Schedule C-EZ:	
Impairment-related work expenses	<u>23</u>
Form 1040, Schedule E:	
Impairment-related work expenses	<u>23</u>
Form 1040, Schedule F:	
Impairment-related work expenses	<u>23</u>
Form 1040NR:	
Health coverage tax credit	<u>28</u>
Form 1040X:	
Amended return	<u>3</u>
Deceased taxpayer	<u>5</u>
Form 1099-H:	
Self-employed persons, health insurance costs	<u>24</u>
Form 2106:	
Impairment-related work expenses	<u>23</u>

Form 2106-EZ:	
Impairment-related work expenses	<u>23</u>
Form 2555:	
Self-employed persons, health insurance costs	<u>24</u>
Form 2555-EZ:	
Self-employed persons, health insurance costs	<u>24</u>
Form 8453:	
Health coverage tax credit	<u>28</u>
Form 8885:	
Health coverage tax credit	<u>28</u>
Self-employed persons, health insurance costs	<u>24</u>
Founder's fee (See Lifetime care, advance payments)	
Free tax services	<u>29</u>
Funeral expenses	<u>15</u>
Future medical care	<u>10, 15</u>
<hr/>	
G	
Glasses	<u>8</u>
Guide dog or other animal	<u>8</u>
<hr/>	
H	
Hair:	
Removal	<u>15</u>
Transplants	<u>15</u>
Wigs	<u>15</u>
Health club dues	<u>16</u>
Health coverage tax credit	<u>16</u>
Advanced payments	<u>29</u>
Alternative TAA recipient	<u>26</u>
Archer MSAs	<u>28</u>
Both spouses eligible	<u>26</u>
Children of divorced parents	<u>26</u>
Eligible coverage month	<u>27</u>
Insurance that covers other individuals	<u>27</u>
Legally separated	<u>26</u>
Married persons filing separate returns	<u>26</u>
Monthly HCTC	<u>29</u>
Nonqualified health insurance	<u>27</u>
Other specified coverage:	
Benefits from the Veterans Administration	<u>28</u>
PBGC pension payee	<u>26</u>
Pension Benefit Guaranty Corporation (PBGC) recipient	<u>26</u>
Qualified health insurance	<u>27</u>
Qualifying family member	<u>26</u>
Reimbursement credit	<u>29</u>
Reporting	<u>28</u>
State-qualified health insurance	<u>27</u>
TAA recipient	<u>26</u>
Yearly HCTC	<u>28</u>
Health institutes	<u>8</u>
Health insurance:	
Credit (See Health coverage tax credit)	
Employer-sponsored plan	<u>9</u>
Premiums:	
Deductible	<u>8</u>
Nondeductible	<u>9</u>
Paid by employer	<u>18</u>
Paid by employer and you	<u>18</u>
Paid by you	<u>18</u>
Prepaid	<u>9</u>
Unused sick leave used to pay	<u>9</u>
Reimbursements (See Reimbursements)	
Self-employed persons	<u>24</u>
Health maintenance organizations (HMOs)	<u>8</u>
Health reimbursement arrangements (HRAs)	<u>17</u>
Health savings accounts (HSAs):	
Payments from	<u>16</u>
Hearing aids	<u>8</u>
Hearing-impaired persons:	
Guide dog or other animal for	<u>8</u>
Help (See Tax help)	
HMOs (Health maintenance organizations)	<u>8</u>
Home care (See Nursing services)	
Home improvements (See Capital expenses:)	
Hospital services	<u>8</u>
Hotels	<u>10</u>
Household help	<u>16</u>
HRAs (Health reimbursement arrangements)	<u>17</u>
<hr/>	
I	
Illegal operations and treatments	<u>16</u>
Illegal substances	<u>15</u>
Impairment-related work expenses	<u>23</u>
Reporting of	<u>23</u>
Insulin	<u>16</u>
Insurance (See Health insurance)	
Intellectually and developmentally disabled persons:	
Mentally retarded	<u>10</u>
Special homes for	<u>10</u>
<hr/>	
L	
Laboratory fees	<u>10</u>
Lactation expenses (See Breast pumps and supplies)	
Laser eye surgery	<u>8</u>
Lead-based paint removal	<u>10</u>
Learning disabilities	<u>13</u>
Legal fees	<u>10</u>
Lessons, dancing and swimming	<u>15</u>
Lifetime care:	
Advance payments for	<u>10</u>
Lodging (See also Trips)	<u>10, 14</u>
Long-term care	<u>11</u>
Chronically ill individuals	<u>11</u>
Maintenance and personal care services	<u>11</u>
Qualified insurance contracts	<u>11</u>
Qualified services	<u>11</u>
<hr/>	
M	
Maintenance and personal care services	<u>11</u>
Maternity clothes	<u>16</u>
Meals (See also Weight-loss programs)	<u>11, 14</u>
Medical conferences	<u>12</u>
Medical equipment or property:	
Adjusted basis (Worksheet D)	<u>21</u>
Gain or loss (Worksheet E)	<u>23</u>
Sale of	<u>21</u>
Medical expense records	<u>20</u>
Medical information plans	<u>12</u>
Medical savings accounts (MSAs)	<u>16</u>
Medicare:	
Medicare A, deductible expense	<u>9</u>
Medicare B, deductible expense	<u>9</u>
Medicare D, deductible expense	<u>9</u>
Medicines	<u>12</u>
Imported	<u>12, 16</u>
Nonprescription drugs and medicines	<u>16</u>
Missing children, photographs of in IRS publications	<u>2</u>
More information (See Tax help)	
Multiple support agreement	<u>4</u>
<hr/>	
N	
Nondeductible expenses	<u>15-17</u>
Nonprescription drugs and medicines	<u>16</u>
Nursing homes	<u>12</u>
Nursing services	<u>12, 15</u>
Chronically ill individuals	<u>11</u>
Nutritional supplements:	
Natural medicines	<u>16</u>

O	
Operations	<u>12</u>
Cosmetic surgery	<u>15</u>
Eye surgery	<u>8</u>
Illegal operations and treatments	<u>16</u>
Optometrist	<u>12</u>
Optometrist services	<u>8</u>
Organ donors	<u>14</u>
Osteopath	<u>12</u>
Oxygen	<u>13</u>
P	
Paint removal, for lead-based	<u>10</u>
Parking fees and tolls	<u>14</u>
Personal injury damages	<u>23</u>
Personal use items	<u>16</u>
Photographs of missing children in IRS publications	<u>2</u>
Physical examination	<u>13</u>
Physical therapy	<u>13</u>
Plastic surgery	<u>15</u>
Pregnancy test kit	<u>13</u>
Premiums (See Health insurance)	
Prepaid insurance premiums	<u>9</u>
Prostheses	<u>5</u>
Psychiatric care	<u>13</u>
Psychoanalysis	<u>13</u>
Psychologists	<u>13</u>
Publications (See Tax help)	
R	
Radial keratotomy	<u>8</u>
Recordkeeping	<u>20</u>
Rehabilitation facilities	<u>12</u>
Reimbursements	<u>17-20</u>
Excess includable in income:	
More than one policy (Worksheet C)	<u>19</u>
One policy (Worksheet B)	<u>18</u>
Excess may be taxable (Figure 1)	<u>17</u>
Health Reimbursement Arrangement (HRA)	<u>17</u>
Insurance	<u>17</u>
Medical expenses not deducted	<u>19</u>
More than one policy	<u>19</u>
Received in later year	<u>20</u>
Rental property:	
Improvements to	<u>7</u>
Reporting:	
Health coverage tax credit	<u>28</u>
Impairment-related work expenses	<u>23</u>
Medical and dental expenses	<u>20</u>
Medical deduction (See Form 1040, Schedule A)	
Self-employed persons, health insurance costs	<u>24</u>
S	
Sale of medical equipment or property	<u>21</u>
Adjusted basis (Worksheet D)	<u>21</u>
Gain or loss (Worksheet E)	<u>23</u>
Schedules (See Form 1040)	
Seeing-eye dogs	<u>8</u>
Self-employed persons:	
Health coverage tax credit	<u>28</u>
Health insurance costs	<u>24</u>
Senior housing	<u>12</u>
Separate returns:	
Community property states	<u>3</u>
Medical and dental expenses	<u>3</u>
Separated taxpayers:	
Health coverage tax credit	<u>26</u>
Medical expenses of child	<u>4</u>
Service animals	<u>8</u>
Sick leave:	
Used to pay health insurance premiums	<u>9</u>
Special education	<u>13</u>
Spouse's medical expenses	<u>3</u>
Deceased spouse	<u>5</u>
Sterilization	<u>13</u>
Stop-smoking programs	<u>13</u>
Surgery (See Operations)	
Swimming lessons	<u>15</u>
T	
Tables and figures:	
Medical equipment or property:	
Adjusted basis (Worksheet D)	<u>21</u>
Gain or loss (Worksheet E)	<u>23</u>
Reimbursements, excess includable in income:	
More than one policy (Worksheet C)	<u>19</u>
One policy (Worksheet B)	<u>18</u>
Reimbursements, excess may be taxable (Figure 1)	<u>17</u>
Tax help	<u>29</u>
Taxpayer Advocate	<u>30</u>
Teeth:	
Artificial	<u>6</u>
Dental treatment	<u>7</u>
Whitening	<u>16</u>
Telephone	<u>13</u>
Television	<u>13</u>
Therapy	<u>13</u>
Transplants	<u>14</u>
Travel and transportation expenses	<u>14</u>
Car expenses	<u>14</u>
Includible expenses	<u>14</u>
Parking fees and tolls	<u>14</u>
Trips	<u>14</u>
TTY/TDD information	<u>29</u>
Tuition	<u>14</u>
V	
Vasectomy	<u>14</u>
Veterinary fees	<u>17</u>
Vision correction surgery	<u>8</u>
Visually impaired persons:	
Guide dog or other animal for	<u>8</u>
Vitamins or minerals	<u>16</u>
Voluntary Employee's Beneficiary Association (VEBA):	
Qualified health insurance	<u>27</u>
W	
Weight-loss programs	<u>14, 17</u>
What's new:	
COBRA continuous coverage	<u>1</u>
Health coverage tax credit	<u>1</u>
Standard medical mileage rate	<u>1</u>
Wheelchairs	<u>15</u>
Wigs	<u>15</u>
Work expenses:	
Disabled dependent care	<u>7</u>
Impairment-related	<u>23</u>
Workers' compensation	<u>23</u>
Worksheets:	
Capital expenses (Worksheet A)	<u>7</u>
Medical equipment or property:	
Adjusted basis (Worksheet D)	<u>21</u>
Gain or loss (Worksheet E)	<u>23</u>
Reimbursements, excess includable in income:	
More than one policy (Worksheet C)	<u>19</u>
One policy (Worksheet B)	<u>18</u>
Reimbursements, excess may be taxable (Figure 1)	<u>17</u>
X	
X-rays	<u>15</u>